

FTC CARDS INC.

Independent auditors' report

**Financial statements
As of December 31, 2020**

FTC CARDS INC.

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INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

To
The Director and Shareholders of
FTC Cards Inc.
São Paulo - SP

Opinion on the financial statements

We have audited the financial statements of **FTC Cards Inc. ("Company")**, which comprise the statement of financial position as of December 31, 2020 and 2019, and the respective statements of income, comprehensive income, changes in equity and cash flows for the year then ended, as well as the corresponding notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **FTC Cards Inc.** as of December 31, 2020 and 2019, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion on the financial statements

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the relevant ethical principles established in the Code of Ethics for International Federation of Accountants Professional, and we have fulfilled our other ethical responsibilities in accordance with these standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements

The Company's management is responsible for the fair presentation and preparation of the financial statements in accordance with International Financial Reporting Standards - (IFRS) and for the internal controls considered necessary to allow the preparation of the financial statements free of material misstatement, whether due to fraud or error.

Responsibilities of Management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards - (IFRS), and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the **FTC Cards Inc. ("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 Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian standards and ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the **FTC Cards Inc.** internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on **FTC Cards Inc.**'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause **FTC Cards Inc.** to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

São Paulo, April 30, 2021

FTC CARDS INC.

Statements of financial position As at Dec 31 2020 and December 31, 2019 (In thousands of Canadian Dollars)

Assets				Liabilities and shareholders' equity			
	Note	2020	2019		Note	2020	2019
Current				Current liabilities			
Cash and cash equivalents	4	65	145	Trade accounts payable	6	21	3
Trade accounts receivable	-	1	-	Related parties	10	-	344
		66	145			21	347
Assets held for sale	5	-	190	Liabilities held for sale	5	-	484
		-	190			-	484
				Shareholders' equity negative			
				Share capital	10	8,305	8,305
				Retained earnings		(8,261)	(5,679)
				Capital transactions		-	(310)
				Other comprehensive income		-	(2,811)
				Total Shareholders' equity		45	(495)
Total assets		66	335	Total liabilities and shareholders' equity		66	335

The accompanying notes are an integral part of these financial statements

FTC CARDS INC.

Statement of income

As at Dec 31 2020 and December 31, 2019

(In thousands of Canadian Dollars)

	Note	2020	2019
Net sales	-	-	-
Cost of sales	-	-	-
Gross income		-	-
Revenues/(expenses)			
Administration	8	(144)	(67)
Others revenues	8	692	-
Financial expenses, net	-	(8)	10
		540	(57)
Net income before income tax and social contribution		540	(57)
Income tax and social contribution - current	-	-	-
Income tax and social contribution - deferred	-	-	-
Net income operation		540	(57)
Discontinued operations			
Loss/earnings from subsidiary sold		-	(23)
Net income operation		540	(80)

The accompanying notes are an integral part of these financial statements.

FTC CARDS INC.

Statement of comprehensive income

As at Dec 31 2020 and December 31, 2019

(In thousands of Canadian Dollars)

	2020	2019
Net income (loss)	540	(57)
Other comprehensive income (loss)		
Exchange rate gains (losses) of foreign investments	-	-
Total comprehensive income (loss) for the period	540	(57)

The accompanying notes are an integral part of these financial statements.

FTC CARDS INC.

Statement of changes in shareholder's equity (In thousands of Canadian Dollars)

	Share capital	Shareholders transactions	Retained earnings	Accumulated other comprehensive income	Total Shareholders' equity
Balance, December 2018	8,305	(310)	(5,529)	(2,723)	(257)
Other movements	-	-	(70)	-	(70)
Net income for the year	-	-	(80)	-	(80)
Exchange rate gains (losses) of foreign investments	-	-	-	(88)	(88)
Balance, December 2019	8,305	(310)	(5,679)	(2,811)	(495)
Net income for the year	-	-	540	-	540
Accomplishment with sale of investment	-	310	(3,121)	2,811	-
Balance, December 2020	8,305	-	(8,260)	-	45

The accompanying notes are an integral part of these financial statements.

FTC CARDS INC.

Statement of cash flows

For the years ended December 31, 2020 and 2019

(In thousands of Canadian Dollars)

	2020	2019
Cash flow from operating activities:		
Net income for the period	540	(57)
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss/(gain) on settlement of advance	(55)	-
Loss/(gain) on debt settlement	(344)	-
Loss/(gain) on sale of investment in FTC Brazil	(294)	-
	-	-
Accounts receivable	(1)	-
Trade accounts payable	19	(9)
Cash flows provided by (used in) operating activities	(135)	(66)
Cash flows from investing activities:		
Loss/(gain) on investment	-	-
Purchase of software development	-	-
Disposal of assets, net	-	-
Cash flows provided by (used in) investing activities	-	-
Cash flows from financing activities:		
Loan - related parties	55	-
Cash flows provided by (used in) financing activities	55	-
Effect of changes in cumulative translation adjustment	-	-
(Decrease) in cash and cash equivalents	(80)	(66)
Cash and cash equivalents, beginning of period	145	211
Cash and cash equivalents, end of period	65	145
(Decrease) in cash and cash equivalents	(80)	(66)

The accompanying notes are an integral part of these financial statements.

FTC CARDS INC.

Notes to the financial statements

As of December 31, 2020, and 2019

(Expressed in thousands of Canadian dollars)

1. Operations

1.1. Corporate structure

FTC Cards Inc. ("FTC Canada" and the "Company") was incorporated under the name "0934977 B.C. Ltd." under the laws of the Province of British Columbia by articles of incorporation dated March 9, 2012. On May 16, 2012, the name was changed to "FTC Cards Inc."

The Company was incorporated by CTF Technologies Inc. ("CTF") for the purposes of completing a reorganization whereby, pursuant to the terms of an Arrangement agreement between CTF, and FleetCor Technologies Inc. ("FleetCor"), FleetCor would acquire all of the shares of CTF from its existing shareholders and FTC Canada would be "spun-out" from CTF, i.e. all of the shares of FTC Canada owned by CTF would be dividended to its shareholders so that the former CTF shareholders became the new shareholders of FTC Canada. Consequently, on July 3, 2012, the completion date, FTC Canada ceased to be a wholly owned subsidiary of CTF and became a reporting issuer, although its common shares are currently not listed on any exchange for trading in Canada or elsewhere.

Also, pursuant to the terms of the Arrangement agreement, when the FTC Canada shares were issued to CTF, in return the Company acquired approximately 90.5% of the equity of FTC Cards Processamento e Serviços de Fidelização Ltda. ("FTC Brazil") from CTF and assumed the management of the business of FTC Brazil. FTC Brazil is a limited liability company limited under the laws of Brazil and was incorporated on April 7, 2011. The balance of the equity in FTC Brazil was initially held by Technis Planejamento e Gestão em Negócios Ltda. ("Technis"), a limited liability company limited under the laws of Brazil and a related party.

On October 17, 2014, at the request of the minority shareholder of FTC Brazil the 9.5 interest held by Technis was repurchased and canceled, such that FTC Brazil became a wholly-owned subsidiary of FTC Canada with effect from October 2014.

On 2017, December first the FTC Cards Processamento e Serviços de Fidelização Ltda. changed your Business name to Syspoints Serviços de Informatica Ltda. ("Syspoints" or previously "FTC Brazil").

In November 2020, due to the inactive state of FTC Brazil, the shareholders of the Company voted to sell FTC Brazil to its major shareholder. As a consequence, these financial statements are no longer consolidated, and reflect solely the financial position and results of the parent Canadian company, FTC Cards Inc. for the year ended December 31, 2020 with comparative restated amounts for 2019.

Notes to the financial statements

As of December 31, 2020, and 2019

(Expressed in thousands of Canadian dollars)

The registered and records office of FTC Canada is located at 1500 Royal Centre, 1055 West Georgia Street, Vancouver, British Columbia, V6E 4N7. The head office of FTC Canada is located at 1130-1055 West Hastings Street, Vancouver, British Columbia, V6E 2E9.

1.2. History of the business of the company

The Company's primary operations were in Brazil and involved service implementation, maintenance and operation of systems for the Promotion Award, Fidelity and Acquiring, leasing, subleasing and the provision of electronic terminals or other equipment to enable the capture, transmission and processing of data relating to transactions arising from the use of credit cards and/or debit cards, Direct Consumer credit - CDC, purchase, service and other means of payment, provision of service installation and maintenance of electronic terminals and of equipment for capturing, transmitting and processing data related to transactions arising from the use of payment cards, targeted at the franchise gas stations of BR Petrobras and Raízen Combustíveis S.A. ("Raizen"). Syspoints was continuing the business originally developed by CTF Technologies do Brasil Ltda., a subsidiary of CTF Technologies Inc., under an agreement entered into with BR Petrobras.

On October 15, 2018 the contract with Raizen was interrupted by Syspoints and the company didn't have any other contract.

1.3. Going concern

These financial statements are prepared under the assumption the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company may incur losses and may not have the financial resources to sustain operations in the long-term. There is no assurance that financing will be available or be available on favorable terms to fund continued operations. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Continued operations of the Company are dependent on the Company's ability to receive financial support, necessary financings, or generate continued profitable operations in the future.

Notes to the financial statements

As of December 31, 2020, and 2019

(Expressed in thousands of Canadian dollars)

1.4. Sale of FTC Brazil Subsidiary

The Company closed the sale of its wholly-owned subsidiary, Syspoints Servicos de Informatica Ltda., formerly FTC Cards Processamento e Serviços de Fidelização Ltda. ("FTC Cards Brazil") pursuant to the terms of a sale agreement dated effective September 30, 2020 (the "Sale Agreement").

Pursuant to the Sale Agreement, all of the issued and outstanding capital in FTC Cards Brazil, which constituted all, or substantially all, of the assets of the Company, was sold to Arie Halpern (the "Purchaser"), a controlling shareholder of the Company, in exchange for (i) the Company being released from all obligations, and (ii) the sum of \$10.00 in cash (the "Transaction"). The Transaction closed on December 30, 2020.

The Transaction was approved by the shareholders of the Company at the annual general and special meeting of the Company held on November 5, 2020 (the "Meeting"). The Transaction, which constituted a related party transaction, was subject to Multilateral Instrument 61-101 Protection of Minority Security Holders In Special Transactions, which mandated that the Transaction be subject to approval of a majority of the minority shareholders voting at the Meeting. Any shares held by the Purchaser and his associates and joint actors were excluded from the calculation of shareholder approval.

As a result of completing the Transaction, the Company no longer has active business operations or material assets other than cash. The Company has reduced its costs and staffing to a minimum sustainable level to continue operations and now intends to explore potential strategic alternatives and will update shareholders of any material developments. There can be no assurance that these efforts will result in a transaction being pursued, entered, or consummated.

At December 31, 2019, the Company reclassified the assets and liabilities of the subsidiary balance sheet to "Assets held for sale" in the amount of \$190,213, and "Liabilities held for sale" in the amount of \$483,500. The assets so reclassified included cash of \$165,917 and other assets of \$24,296.

Notes to the financial statements
As of December 31, 2020, and 2019
(Expressed in thousands of Canadian dollars)

2. Presentation of financial statements

2.1. Presentation of financial statements

a. Statement of compliance (related to the accounting practices adopted in IFRS)

These financial statements have been prepared and are presented in accordance with the “International Financial Reporting Standard - IFRS” and include the financial statements of the Company.

The financial statements were approved at the Board meeting performed in April 30, 2021.

b. Measurement basis

The preparation of the individual financial statements was based on historic cost, except for the financial instruments, which were measured at fair value.

c. Functional currency and presentation currency

These financial statements are presented in Canadian Dollars (CDN.\$), which is the presentation currency of the Company. Previously, each entity of FTC Cards Inc. determined its own functional currency, and those whose functional currencies are different from the Canadian Dollar, primarily Syspoints, used the functional currency of the Brazilian Reais (R\$), and the financial statements were translated at the actual exchange rates as follows.

d. Transactions and balances

Transactions in foreign currencies were recorded in the functional currency and then were converted at the end of the period to the Canadian dollar using the average rate for the period. The conversion of assets and liabilities were translated to Canadian dollars using the rate at the close of each period.

All differences were recorded in the statement of comprehensive income.

e. Critical accounting estimates

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the year.

Notes to the financial statements

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There were no significant assumptions about the future and other sources of estimate on uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made.

Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Critical judgments

The preparation of the financial statements requires us to make judgments regarding the going concern of the Company as discussed in Note 1.

Key sources of estimation uncertainty

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant. Significant estimates made by management affecting the financial statements include:

Deferred tax assets & liabilities

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

The measurement of the deferred income tax provision is subject to uncertainty associated with the timing of future events and changes in legislation, tax rates and interpretations by tax authorities.

Notes to the financial statements

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Fixed assets useful life

Fixed and intangible assets are depreciated or amortized over their useful life. The useful life is based on the Company's management estimates regarding the period in which the assets will generate income, which are periodically reviewed for continuous adequacy. Changes in the estimates may result in significant variances in the accounting value and the values are adjusted in the period according to the new estimates.

Provision for contingencies

According to the IFRS, the Company recognizes a provision when there is a present obligation arising from a past event, whenever a transfer of economic benefits is probable, and the transfer cost value can be reliably estimated. In the cases when the criteria are not yet complied with, a contingent liability can be disclosed in the explanatory notes to the financial statements. The obligations arising from contingent liabilities that were disclosed or that are not actually recognized or disclosed in the financial statements, could have a material effect on the balance sheet of the Company. The application of these accounting principles to litigation requires the Company's administration to make calculations. The Company revises the outstanding judicial processes, monitoring their evolution at every date the reports are prepared, in order to appraise the need for provisions and disclosure in the financial statements. Factors considered when making decisions on provisions Include: litigation nature, claim or additional tax assessment, the judicial process and the potential level of indemnity in the jurisdiction where the litigation, claim or additional tax assessment was made, the development of the process (including its progress after the financial statement date, but before they are issued), opinion from legal advisors, past experience in similar situations, and any decision of the Company about the way it will respond to the litigation, claim or additional tax assessment.

Loss on Impairment of non-financial assets

A loss due to impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of fair value less costs to sell and value in use. The estimated fair value less cost of sales is based on information available from the sale of similar assets or market prices less additional costs to dispose of the asset. The calculation of value in use is based on a discounted cash flow model. Cash flows are derived from the budget for the next five years and do not include restructuring activities to which the Company is not yet committed and where significant future investments will improve the asset base of a cash-generating unit.

Notes to the financial statements

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The recoverable amount is sensitive to the discount rate used in the method of discounted cash flow, the cash receipts and expected future growth rate used for extrapolation and the principal assumptions used to determine the recoverable amount of the various cash-generating units, including sensitivity analysis.

2.2. Capital management

The Company seeks capital alternatives in order to meet its operational needs, aiming a capital structure that takes into consideration appropriate parameters for the financial costs, maturity terms of the funding and their guarantees.

The Company monitors its financial leverage level, which corresponds to net debt, including short and long-term loans, divided by the total capital. Information related to risks inherent to the Company's operation and the use of financial instruments to prevent those risks, as well as the policies and risks related to the financial instruments.

3. Significant accounting policies

The accounting policies were applied consistently to all periods presented in these financial statements, except where indicated otherwise.

a) Statement of operations and comprehensive loss, and revenue recognition

The operating result (revenues, costs and expenses) is calculated in accordance with the accrual basis of accounting. Revenue from product sales is recognized when its value can be measured reliably, all the risks and benefits are transferred to the buyer, and all terms and conditions of the sale have been satisfied.

b) Financial instruments

Assets

▪ **Classification**

At initial recognition, a financial asset is classified as measured at: (i) amortized cost ("CA"); (ii) fair value through other comprehensive income ("VJORA"); or (iii) fair value through income ("VJR").

Notes to the financial statements

As of December 31, 2020, and 2019

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A financial asset is measured at amortized cost if it meets both of the following conditions: (i) the asset is held in a business model in order to raise contractual cash flows; and (ii) the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured in VJORA if it meets both conditions below: (i) the asset is held in a business model whose purpose is met by raised contractual cash flows or by the sale of financial assets; and (ii) the contractual terms of the financial asset give rise on specific dates to cash flows that represent payments of principal and interest on the outstanding principal amount.

All other financial assets are classified as measured at fair value through income.

Furthermore, upon initial recognition, the Company may irrevocably designate a financial asset that meets the requirements to be measured at amortized cost, at VJORA or even VJR. This designation has the purpose of significantly eliminating or reducing a possible accounting mismatch arising from the result of the respective asset.

▪ **Recognition and measurement**

Purchases and sales of financial assets are recognized on the negotiation date. Investments are firstly recognized at fair value, plus the transaction costs for all financial assets not classified at fair value recognized in income.

Financial assets at fair value through income are initially recognized at fair value, and transaction costs are charged to the statement of income for the period in which they occurred.

The fair value of investments with public listing is based on the current purchase price. If the market for a financial asset is not active, the Company establishes the fair value through valuation techniques. These techniques include recent third-party transactions, reference to other instruments that are substantially the same, the analysis of discounted cash flows and option pricing models, favoring information generated by the market and minimizing the use of information generated by the Company's Management.

▪ **Impairment of financial assets - measured at amortized cost**

At each reporting period end, the Company evaluates if there is objective evidence that a financial asset or a group of financial assets is impaired.

Notes to the financial statements

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(Expressed in thousands of Canadian dollars)

The criteria used by the Company to determine if there is objective evidence of impairment include: (i) significant financial difficulties from the issuer or debtor; (ii) a breach of contract, such as default or late payments of interest or principal; (iii) possibility of the debtor going bankrupt or file for financial reorganization; and (iv) extinction of the active market of that financial asset due to financial problems.

▪ **Derecognition of financial assets**

A financial asset (or, if applicable, a part of a financial asset or part of a group of similar financial assets) is mainly written off when: (i) the rights on cash flows from assets expire; and (ii) the Company transferred its rights on cash flows from assets or assumed an obligation to fully pay received cash flows, with no significant delay, to a third party by means of a transfer agreement; and (a) the Company has substantially transferred all the risks and benefits of the asset; or (b) the Company has not substantially transferred or retained all the risks and benefits related to the asset, but it has transferred the control over such asset.

When the Company assigns its rights to receive cash flows from an asset or executes an assignment agreement not having substantially transferred or retained all the risks and benefits related to the asset, the asset will be recognized to the extent of the continuous involvement of the Company with this asset.

Liabilities

▪ **Recognition and measurement:**

A financial liability is classified as measured at fair value through income when it is designated as held for trading or designated as such at initial recognition. Transaction costs are recognized in income as incurred.

These financial liabilities are measured at fair value, and possible changes in fair value, including gains on interest and dividends, are recognized in income for the year.

The Company's financial liabilities, which are initially recognized at fair value, include trade accounts payable and other accounts payable, loans and financing and derivative financial instruments, plus the directly related transaction cost.

▪ **Subsequent measurement:**

After initial recognition, loans and financing, trade accounts payable and accounts payable are subsequently measured at amortized cost using the effective interest rate method.

Notes to the financial statements

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(Expressed in thousands of Canadian dollars)

▪ **Borrowing costs:**

Loan costs attributed to the acquisition, construction or production of an asset, necessarily requiring a significant amount of time to be ready for its intended use or sale, are capitalized as part of the cost of these assets. Loan costs refer to interest and other costs incurred by the Company that are related to the raising of funds.

▪ **Derecognition of financial liabilities:**

A financial liability is written-off when the obligation is revoked, cancelled or expired. When an existing financial liability is replaced by another of the same lender with significantly different terms, or when the terms of an existing liability are significantly changed, this substitution or amendment is recorded as a write-off of the original liability and recognition of a new one, and the difference in their book values is recognized in the statement of income.

▪ **Cash and cash equivalents**

These include balances of cash, bank deposits and financial investments redeemable within up to 90 days from the investment date, recorded at cost, plus the income earned to the balance sheet date which does not exceed the market value.

The financial investments are recognized and measured at fair value and the financial income earned in these transactions is directly stated in the statement of income.

▪ **Trade accounts receivable**

Trade accounts receivable are initially stated at present value, less allowance for doubtful accounts. The allowance for doubtful accounts is recognized when conclusive evidence shows that the Company will not be able to recover all amounts due according to the original terms of accounts receivable. In case of losses, the allowance is the difference between their book and recoverable amounts.

a. Suppliers

These amounts substantially correspond to the amounts payable for services from the preparation and dissemination of events and advertising.

b. Other assets

These amounts are presented at cost or realizable value, including, where applicable, income and changes incurred.

Notes to the financial statements

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(Expressed in thousands of Canadian dollars)

c. Labor and tax liabilities

These amounts represent the values of taxes and contributions owed by the Company. This group also includes the amounts payable to employees arising from wages and benefits. The vacation pay, the proportional and their respective costs incurred through the balance sheet date are appropriate considering the vesting period of individual employees.

d. Other current liabilities

These amounts are made by known or estimated amounts plus, if applicable, the corresponding financial charges and monetary variations incurred.

e. Income and Social Contribution Taxes

When applicable, Income and Social Contribution Taxes are calculated and accounted for based on income adjusted according to the legislation in effect. Effects from Income and Social Contribution Taxes on temporary differences between the carrying value and the tax basis of assets and liabilities were recorded as assets or liabilities, depending on their nature.

Social contribution provision: This was calculated on the adjusted net income before provision for income taxes, being applied at the rate of 9%.

Income tax provision: This was established based on taxable income, using the rate of 15% plus an additional 10% on annual taxable income exceeding R\$ 240 thousand.

f. Deferred taxes

Deferred income tax (deferred tax) is calculated on the temporary differences between the tax bases of assets and liabilities and their carrying amounts. Deferred tax is determined using tax rates enacted and expected to be applied when the deferred tax assets are realized or when the income tax liability is settled.

Deferred tax assets are recognized only in proportion to the expectation or likelihood that future taxable income will be available against which the temporary differences, tax losses and tax credits can be used.

Deferred tax assets and liabilities are offset if there is a legal right to offset current tax assets and liabilities, and they are related to income taxes levied by the same taxation authority on the same taxable entity.

Notes to the financial statements

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(Expressed in thousands of Canadian dollars)

g. Assets and liabilities and legal obligations

Accounting practices for recording and disclosure of contingent assets and liabilities and legal obligations are as follows: (i) Contingent assets are recognized only when there are guarantees or favorable judicial decisions, final decisions. Contingent assets with probable successes are only disclosed in the notes (ii) Contingent liabilities are accrued when losses are assessed as probable and the amounts involved can be measured with sufficient reliability. Contingent liabilities assessed as possible losses are only disclosed in the notes and contingent liabilities assessed as remote losses are not provisioned, or, disclosed, and (iii) Legal obligations are recorded as required, independent assessment of the likelihood of successful process in which based on the Company challenged the constitutionality of taxes.

h. Earnings per share

Basic earnings per share are calculated by dividing the net income attributed to the Company's shareholders by the weighted average number of outstanding common shares for the year. Diluted earnings per share is determined through the abovementioned outstanding share average, adjusted by instruments potentially convertible in shares with dilution effect for the presented years.

i. New or revised pronouncements applied for the first time in 2020

a) IFRS 16 Leases:

IFRS 16 introduced a single model for accounting of leases in the statement of financial position for lessees. A lessee recognizes a right of use asset representing its right to use the leased asset and a lease liability representing its obligation to make the lease payments. Optional exemptions are available for short-term leases and low value items. The lessor accounting remains similar to the current form, that is, lessors continue to classify leases as operating or finance.

The new standard replaces the existing lease standards, including IAS 17 Leases and IFRIC 4, SIC 15 and SIC 27 Complementary Aspects of Lease Operations.

Lessees must also remeasure lease liabilities if there are changes in the lease term or in future payments of leases, resulting from changes in indexes or rates used to determine these payments. The lessee will recognize the value of remeasurement of the lease liability as an adjustment of the right-of-use asset.

Notes to the financial statements

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(Expressed in thousands of Canadian dollars)

k.2. Transition to IFRS 16:

The lessee can adopt IFRS 16 full retrospective or modified retrospective approach. The Company decided to use exemptions proposed by the technical pronouncement for short-term lease agreements with 12 months or less and with low-value underlying assets.

a) IFRIC 23 - Uncertainty over Income Tax Treatment:

The interpretation deals with the accounting of Income Taxes, when tax treatment involves uncertainty affecting the adoption of IAS 12, and does not apply to taxes or rates out of the scope of IAS 12, nor specifically includes the requirements related to interest and fines associated with uncertainties over treatment applicable to taxes.

Management evaluated the main tax treatments adopted by the Company in pending periods subject to questioning by tax authorities and concluded that there is no significant impact to be recorded in the financial statements.

k.3. New standards, revisions and interpretations issued not yet in effect as at December 31, 2020

Certain new standards and amendments to standards will be effective for annual periods beginning after January 01, 2020. Early adoption is permitted; however, the Company did not early adopt the following standards or amendments to standards in the preparation of these financial statements:

- Amendments to the references to conceptual framework of IFRS standards;
- Definition of a business (amendments to IFRS 3);
- Definition of materiality (amendments to IAS 1 and IAS 8);
- IFRS 17 Insurance Contracts.

The amended standards and interpretations should not significantly affect the financial statements.

4. Cash and cash equivalents

	2020	2019
Cash and balances in bank current accounts	65	-
Other investments (*)		145
	<u>65</u>	<u>145</u>

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(Expressed in thousands of Canadian dollars)

(*) Financial investments are considered to be cash equivalents because they can be redeemed at any time, with no impact on interest accrued. Their carrying amount approximates fair value.

5. Subsidiary held for sale

	2020	2019
Assets		
Cash and cash equivalents	-	166
Accounts receivable	-	12
Advances and others	-	3
Property and equipment	-	7
Intangible assets	-	2
	<u>-</u>	<u>190</u>
Liabilities		
Accounts payable	-	413
Brazilian taxes payable	-	2
Brazilian taxes in installments - long term	-	68
	<u>-</u>	<u>483</u>

* Details on note 1.4,

Statement of Income

	Consolidated FTC	FTC Canada	FTC Brasil
	December 31 2019	December 31 2019	December 31 2019
Net sales	6	-	6
Cost of sales	(5)	-	(5)
Gross income	<u>1</u>	<u>-</u>	<u>1</u>
Other revenues/expenses			
Administration	(286)	(57)	(229)
Other expenses	193	-	193
Financial expenses, net	12	-	12
	<u>(81)</u>	<u>(57)</u>	<u>(23)</u>
Net income before income tax and social contribution	(80)	(57)	(23)
Income tax and social contribution - current			
Income tax and social contribution - deferred			
Net income	<u>(80)</u>	<u>(57)</u>	<u>(23)</u>

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Statement of cash flows

31, December 2019

Cash flows from the subsidiary operations	Consolidated FTC	FTC Canada	FTC Brasil
Net income for the period	(80)	(57)	(23)
Adjustments to reconcile net income to net cash provided from operations activities			
Amortization and depreciation	23	-	23
Impairment loss	16	-	16
Exchange rate gains/(losses)	(11)	-	(11)
Deferred income tax and social contributions	(70)	-	(70)
Other movements			
Accounts receivable	355	(9)	364
Other current assets	5	-	5
Deposit of rent	17	-	17
Trade accounts payable	(660)		(660)
Tax payable and deferred tax	(7)	-	(7)
Other liabilities	(11)	-	(11)
Cash flows provided by (used in) operating activities	(423)	(66)	(357)
Cash flows provided by (used in) financing activities			
Loan - related parties	129	-	129
Effect of changes in cumulative translation adjustments			
	(88)	-	(88)
Decrease in cash and cash equivalents	(382)	(66)	(316)
Cash and cash equivalents, beginning of period	693	211	482
Cash and cash equivalents, end of period	311	145	166
Decrease in cash and cash equivalents	(382)	(66)	(316)

6. Accounts payable

	2020	2019
Lawyers to pay	22	3
	<u>22</u>	<u>3</u>

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Notes to the financial statements

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7. Shareholders' equity

Authorized

Unlimited number of common shares without par value

Issued

The capital was subscribed and paid in the amount of \$1 on March 9, 2012, consisting of 1 common share with no par value. On July 3, 2012 pursuant to the terms of the Arrangement Agreement, (note 1.3) the Company acquired all of the shares of Syspoint ("previously FTC Brazil") from its former parent, CTF Technologies Inc., in exchange for 58,351,052 common shares, and these shares were in turn dividended by CTF to its shareholders, at which time the Company became a reporting issuer in the Province of British Columbia.

There were no warrants or options issued during the period and there were no warrants or options outstanding on December 31, 2020 and December 31, 2019.

Earnings per share

Basic and diluted earnings

Basic earnings per share is calculated by dividing the earnings attributable to the Company's shareholders by the weighted average number of common shares issued during the year, excluding the common shares purchased by the Company and held as treasury shares.

Diluted earnings per share are calculated by adjusting the weighted average number of outstanding common shares, assuming the conversion of all possible common shares that would cause the dilution. The Company doesn't have a class of possible common shares that would cause dilution.

Basic and diluted	2020	2019
Net income attributable to the Company's shareholders	540	(150)
Weighted average number of common shares issued	58,351	58,351
Weighted average number of treasury shares	-	-
Weighted average number of outstanding common shares	58,351	58,351
Basic income per share - C\$	0,009	(0,003)

FTC CARDS INC.

Notes to the financial statements

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8. Other operating result

	2020	2019
Professional services expenses	(144)	(57)
Gain on settlement of advance	55	-
Gain on debt settlement	344	-
Gain on sale of subsidiary	293	-
	<u>548</u>	<u>(57)</u>

9. Financial instruments

Identifying and valuing financial instruments

The Company holds various financial instruments, particularly cash and cash equivalents, including financial investments, trade receivables and trade payables.

Considering the nature of financial instruments, the fair value is basically calculated by applying the discounted cash flow method. The amounts recorded in current assets and current liabilities have immediate liquidity or maturity, mostly with terms less than three months. Considering the term and features of these financial instruments, which are systematically renegotiated, book values approximate their fair values.

Credit risk

The Company is exposed to credit risk only with respect to uncertainties as to timing and amount of collectability of accounts receivable.

Foreign exchange risk

The Company's primary operation were in Brazil. A significant portion of the Company's operational transactions were originally or effectively denominated in Reais, the local currency. Accordingly, the carrying values of the Company's assets and liabilities and the results of its operations and comprehensive income as stated in Canadian dollars were impacted by exchange rate fluctuations. The Company did not enter into foreign exchange contracts to hedge this risk. Presently, the Company has no similar foreign exchange risk.

Liquidity risk

Liquidity risk is the risk of the Company not having sufficient liquid funds to fulfill its financial obligations due to a mismatch between expected receipts and payments in terms of maturity and volume.

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To manage cash liquidity in domestic and foreign currency, assumptions are made about future disbursements and receipts and monitored daily by the management.

Concentrations of credit risk

The Company has summarized credit risk as below:

Financial instruments by category

Financial assets	Category		2020	2019
Cash and equivalents	Amortized cost	CND\$	65	145
Accounts receivable	Amortized cost	CND\$	1	-
Related parties	Amortized cost	CND\$	-	344
Accounts payable	Amortized cost	CND\$	22	3

10. Related-party transactions

Intercompany transactions basically refer to the services directly related to the Company's operating activities and are conducted in conditions similar to those stipulated in the market, whose realization deadlines of operations are within 30-180 days. This is the same deadline for commercial transactions with non-related parties. These transactions do not have special terms and conditions, fees or guarantees given or received, nor are there risks of doubtful accounts.

The concept of "related parties" was established by the IAS 24. Under this standard, it is understood that parties are related if one party is related to the entity: (a) directly or indirectly through one or more intermediaries, where the party: (i) controls, is controlled by, or is under common control of the entity, (ii) has an interest in the entity that gives it significant influence over the entity, or (iii) has joint control over the entity, (b) if the party is affiliated entity, (c) if party is a joint venture (joint venture) in which the entity is an investor, (d) if the party is a member of key management personnel of the entity or its parent, (e) if the party is a close family member or any person referred to in subparagraphs (a) or (d), (f) if the controlled entity, jointly controlled or significantly influenced by, or in which significant voting power in such entity resides with, directly or indirectly, any person referred to in (d) or (e) or (g) if the benefit plan for post-employment benefit of employees of the entity, or any entities related party of the Company

The Company considered as "key Management Personnel", the members of its executive board, composed of the chairman and financial director, and members of the board.

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Loans

Loan in amount of CND\$ 129, was received from Arie Halpern that is a partner of FTC Inc. The interest is 0,5% a year and the maturity is on 36 months.

Other

His amount is a accounts payable to a related part for a long time, of Company Corsa. (related parties)

	2020	2019
Other Liabilities	-	215
	-	215

Management compensation

The Company paid to its managers, through salary and variable remuneration, CND\$ NIL in 2020 and paid CND\$ 30 in 2019.

11. Provision for contingencies

In the ordinary course of conducting its business, the Company is involved in labor, civil, tax, social security, and environmental proceedings. Management, relying on its legal counsel's opinion or that of other specialists, when applicable, evaluates the possible outcome of ongoing lawsuits, and the need for setting up provisions for contingencies arising from them. As at December 31, 2020, the Company had no contingencies requiring provision or disclosure in the financial statements.

12. Subsequent events

No exist subsequent events that would result in an adjustment to the financial statement.