

**RS2 Software p.l.c.**

**COMPANY ANNOUNCEMENT**

The following is a Company announcement issued by RS2 Software p.l.c. (hereinafter the "Company") pursuant to the Malta Financial Services Authority Capital Markets Rules.

**Quote**

At the meeting held on the 17<sup>th</sup> August 2021, the Board of Directors of RS2 Software p.l.c. approved the condensed interim financial statements for the period ended 30 June 2021. A copy of the condensed interim financial statements is attached to this announcement.

The condensed interim financial statements are available for viewing and download at the Company's website <https://www.rs2.com/investors/>, and can also be viewed at the Company's registered office.

**Unquote**

A handwritten signature in black ink, appearing to read 'I. Gatt', with a horizontal line underneath.

Dr. Ivan Gatt

Company Secretary

17<sup>th</sup> August 2021



## Interim Financial Statements

**For the period ended  
30 June 2021**

Company Registration Number: C 25829

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## **Directors' Report**

For the period ended 30 June 2021

*This report is published in terms of Chapter 5 of the Listing Rules as prescribed by the Listing Authority in accordance with the provisions of the Listing Rules.*

*The condensed financial statements have been extracted from the Group's unaudited consolidated accounts for the six months ended 30 June 2021 and its comparative period in 2020. The comparative statements of financial position has been extracted from the audited financial statements as at 31 December 2020. The condensed interim financial statements have been prepared in accordance with accounting standards adopted for use in the EU for interim financial statements (EU adopted IAS 34 Interim Financial Reporting). In terms of Listing Rule 5.75.5, the Directors state that the half-yearly financial report has not been audited or reviewed by the Group's independent auditors.*

### **Principal activities**

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

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

### **Business review and future developments**

In line with its strategy, the Group continued its implementation of establishing new footholds in Germany. In December 2019, RS2 Group acquired Kalicom Zahlungssysteme GmbH with the purpose of purchasing Kalicom Liebers Zahlungssysteme KG. The acquired entity is one of the most successful commercial network operators for electronic, card-based payment systems with more than four thousand payment terminals, located in Reinsdorf, Germany. It serves SMEs across Germany with products including POS terminals, girocard/direct debit processing, routing of credit card transactions and referral of acquiring services. This will therefore open up more doors for the Group by delving into a new revenue stream.

**Directors' Report (continued)**

For the period ended 30 June 2021

**Business review and future developments (continued)**

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

The Group also applied for its own EMI license which is regulated by BaFin (the Federal Financial Supervisory Authority in Germany) to manage merchant funding, provide acquiring services and to issue payment instruments. The license will result in a substantial change in the revenue model for the Group, from dependence on one-time license fees to ongoing and recurring revenue based on the number and value of transactions processed. The e-money license was granted in accordance with German law on 1 June 2021 and the Group is targeting to begin offering its services in this regard as from 2022.

During the period under review, the Company registered revenues from its principal activities of €12.1m (2020: €10.1m) and a profit before tax of €2.1m (2020: €1.5m). The Managed Services arm of the Group, RS2 Smart Processing Limited, is principally engaged in the processing of payment transactions with the use of BankWORKS®. RS2 Software APAC Inc. is currently supporting the Company in product development and its expansion in the APAC region. RS2 Software INC. serves as the US arm of the Group with specific focus on the provision of Managed Services in North America. The RS2 German subsidiaries focus mainly on direct merchant acquiring and issuing services using one platform that integrates through API to the merchant's website or store, thereby consolidating the entire business of the merchant across all the respective payment channels.

During the period under review, on consolidating all of its activities, the Group generated revenues of €18.3m (2020: €10.8m) and registered a profit before tax of €2.8m (2020: loss before tax €3.1m). On the costs side, the Group saved on overheads and sales and marketing expenses. In the second half of the year, the Group is planning to ramp up its sales capabilities and drive investments into infrastructure in order to sustain the growth of the Group.

**Directors' Report (continued)**

For the period ended 30 June 2021

**COVID-19 and the implications on Going Concern****COVID-19**

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

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

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

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

**Going Concern**

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

**Directors' Report (continued)**

For the period ended 30 June 2021

**COVID-19 and the implications on Going Concern (continued)****Going Concern (continued)**

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

**Principal Risks and Uncertainties**

In its operations, the Group has exposure to credit risk, liquidity risk and market risk. The Group's objectives, policies and processes target to mitigate the effect of such risk by constantly measuring and managing such risk, whilst proactively managing its capital.

**Related party transactions**

Similar to what was reported in the financial statements for the year ended 31 December 2020, the Group had related party transactions with its parent company and other entities in which the Directors of the Company, or their immediate relatives, have an ownership interest.

Transactions with each category of related parties and the balances outstanding at the end of the reporting periods are set out in Note 12 of the Notes to these Condensed Interim Financial Statements.

**Dividends**

The Group's strategic focus is on becoming the company of choice in the global payments industry and towards this end, requires further investment in infrastructure and business development. For this reason, the Board is not declaring an interim dividend (2020: Nil).

**Reserves**

Retained earnings amounting to €20.1m (2020: €19.2m) for the Company and €3.0m (2020: €1.8m) for the Group are being carried forward.

**Directors' Report (continued)**

For the period ended 30 June 2021

**Key Events during the period***Preference Shares IPO*

During the first six months of 2021, the IPO was concluded successfully. A total number of 8,989,600 shares were subscribed for at the offer price of €1.75 per share. Such shares carry a nominal value of €0.06 per share. The total proceeds generated through the IPO amounted to €15,731,800. The funds raised will enable the Company and the Group to effectively implement its strategy and continue on its growth path.

*Sale of Other Investment*

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

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

In terms of an agreement entered into in February 2018, an executive (referred to as 'key management personnel' in Note 27 of the Group's Annual Report) of RS2 Software INC. was granted 12,500 new shares in the subsidiary, with certain vesting conditions and restrictions. This executive's employment with RS2 Software INC. was terminated in December 2020. As a result, a management's expert has been engaged in order to assist in the valuation of the minority stake in RS2 Software INC. The valuation of the minority stake held by this executive in RS2 Software INC. was reviewed and approved by the Board of the subsidiary, and cash payment shall take place once agreement is sought by both parties. A provision for the payment to the executive, and respective legal fees that are expected to be incurred during the negotiation proceedings has been included appropriately in these financial statements.

*Provision for a legal obligation*

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



## **Directors' Report** (continued)

For the period ended 30 June 2021

### **Key Events during the period** (continued)

#### *Provision for a legal claim*

During the second quarter of 2021, the Group were informed of a claim entered into by one of its customers in relation to an incident in production. In order to take a prudent approach, despite the early stages of this dispute, a provision of 50% of this claim was accounted for in these financial statements.

Approved by the Board of Directors on 17 August 2021 and signed on its behalf by:

**Mario Schembri**

Chairman

**Radi Abd El Haj**

Director

## Condensed Interim Financial Statements for the period ended 30 June 2021

**Statements of Financial Position**

As at 30 June

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>30.06.21</b>	<b>31.12.20</b>	<b>30.06.21</b>	<b>31.12.20</b>
	<b>Unaudited</b>	<b>Audited</b>	<b>Unaudited</b>	<b>Audited</b>
	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
<b>ASSETS</b>				
Property, plant and equipment	<b>9,262,524</b>	8,802,339	<b>7,822,045</b>	7,912,295
Right-of-use assets	<b>2,303,824</b>	2,245,182	<b>442,284</b>	460,542
Intangible assets and goodwill	<b>14,552,976</b>	12,827,567	<b>7,879,001</b>	7,372,497
Investments in subsidiaries	-	-	<b>16,832,157</b>	16,306,108
Deferred tax assets	<b>191,875</b>	210,653	-	-
Loans receivable	<b>799,764</b>	796,631	<b>3,006,906</b>	3,099,629
Finance leases receivable	<b>92,519</b>	89,071	-	-
<b>Total non-current assets</b>	<b>27,203,482</b>	24,971,443	<b>35,982,393</b>	35,151,071
Trade and other receivables	<b>1,190,598</b>	2,736,289	<b>16,350,572</b>	7,860,512
Finance leases receivable	<b>47,620</b>	41,443	-	-
Loans receivable	<b>1,463</b>	910	<b>282</b>	1,135
Prepayments	<b>862,811</b>	769,671	<b>539,088</b>	690,225
Accrued income and contract costs	<b>5,500,002</b>	2,425,586	<b>5,860,821</b>	9,590,302
Inventories	<b>57,722</b>	21,391	-	-
Cash at bank and in hand	<b>11,787,092</b>	6,822,254	<b>3,870,360</b>	1,540,066
	<b>19,447,308</b>	12,817,544	<b>26,621,123</b>	19,682,240
Non-current asset classified as held-for-sale	-	296,205	-	296,205
<b>Total current assets</b>	<b>19,447,308</b>	13,113,749	<b>26,621,123</b>	19,978,445
<b>Total assets</b>	<b>46,650,790</b>	38,085,192	<b>62,603,516</b>	55,129,516

**Statements of Financial Position (continued)**

As at 30 June

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>30.06.21</b>	31.12.20	<b>30.06.21</b>	31.12.20
	<b>Unaudited</b>	Audited	<b>Unaudited</b>	Audited
	€	€	€	€
<b>EQUITY</b>				
Ordinary share capital	<b>11,578,114</b>	11,578,114	<b>11,578,114</b>	11,578,114
Preference share capital	<b>539,376</b>	-	<b>539,376</b>	-
Reserves	<b>13,160,030</b>	(1,700,035)	<b>13,340,067</b>	(1,495,447)
Retained earnings	<b>2,976,076</b>	1,837,307	<b>20,109,261</b>	19,215,770
<b>Total equity attributable to equity holders of the Company</b>	<b>28,253,596</b>	11,715,386	<b>45,566,818</b>	29,298,437
Non-controlling interest	<b>(4,697,790)</b>	(4,645,276)	-	-
<b>Total equity</b>	<b>23,555,806</b>	7,070,110	<b>45,566,818</b>	29,298,437
<b>LIABILITIES</b>				
Bank borrowings	<b>1,374,085</b>	1,621,137	<b>1,374,085</b>	1,621,137
Lease liabilities	<b>1,948,281</b>	1,944,697	<b>428,712</b>	450,817
Employee benefits	<b>4,040,356</b>	3,769,369	<b>3,472,726</b>	3,249,422
Deferred tax liabilities	<b>2,330,892</b>	1,467,005	<b>2,011,320</b>	1,387,510
<b>Total non-current liabilities</b>	<b>9,693,614</b>	8,802,208	<b>7,286,843</b>	6,708,886
Bank borrowings	<b>633,028</b>	10,141,881	<b>633,028</b>	10,141,881
Trade and other payables	<b>1,453,831</b>	2,166,879	<b>1,556,944</b>	1,984,010
Lease liabilities	<b>403,939</b>	333,149	<b>15,641</b>	15,420
Derivatives	<b>660</b>	660	<b>660</b>	660
Current tax payable	<b>2,875,164</b>	2,868,981	<b>2,874,435</b>	2,868,252
Accruals	<b>4,315,346</b>	3,376,536	<b>1,937,424</b>	1,577,322
Provisions	<b>504,881</b>	81,493	-	-
Employee benefits	<b>1,109,422</b>	1,379,512	<b>111,422</b>	381,512
Deferred income	<b>2,105,099</b>	1,863,783	<b>2,620,301</b>	2,153,136
<b>Total current liabilities</b>	<b>13,401,370</b>	22,212,874	<b>9,749,855</b>	19,122,193
<b>Total liabilities</b>	<b>23,094,984</b>	31,015,082	<b>17,036,698</b>	25,831,079
<b>Total equity and liabilities</b>	<b>46,650,790</b>	38,085,192	<b>62,603,516</b>	55,129,516

**Statements of Profit or Loss**

For the period ended 30 June

	Note	GROUP		COMPANY	
		30.06.21 Unaudited €	30.06.20 Unaudited €	30.06.21 Unaudited €	30.06.20 Unaudited €
Revenue	7	<b>18,340,595</b>	10,837,304	<b>12,140,290</b>	10,140,278
Cost of sales		<b>(9,874,930)</b>	(8,928,930)	<b>(6,791,959)</b>	(6,050,513)
<b>Gross profit</b>		<b>8,465,665</b>	1,908,374	<b>5,348,331</b>	4,089,765
Other income		<b>621,080</b>	9,853	<b>315,292</b>	7,170
Marketing and promotional expenses		<b>(249,518)</b>	(740,532)	<b>(278,924)</b>	(276,935)
Administrative expenses		<b>(4,814,315)</b>	(3,954,624)	<b>(2,677,932)</b>	(2,130,702)
Provisions		<b>(947,226)</b>	(47,361)	<b>(422,974)</b>	(13,000)
Other expenses		<b>(299,030)</b>	(75,998)	<b>(127,792)</b>	(68,375)
<b>Results from operating activities</b>		<b>2,776,656</b>	(2,900,288)	<b>2,156,001</b>	1,607,923
Finance income		<b>149,707</b>	11,743	<b>106,072</b>	48,922
Finance costs		<b>(157,477)</b>	(173,379)	<b>(134,693)</b>	(142,443)
<b>Net finance costs</b>		<b>(7,770)</b>	(161,636)	<b>(28,621)</b>	(93,521)
<b>Profit/(Loss) before tax</b>		<b>2,768,886</b>	(3,061,924)	<b>2,127,380</b>	1,514,402
Tax charge		<b>(1,542,431)</b>	(584,241)	<b>(1,281,185)</b>	(531,026)
<b>Profit/(Loss) for the period</b>		<b>1,226,455</b>	(3,646,165)	<b>846,195</b>	983,376
<b>Profit/(Loss) for the period attributable to:</b>					
Owners of the Company		<b>1,091,470</b>	(2,303,652)	<b>846,195</b>	983,376
Non-controlling interest		<b>134,985</b>	(1,342,513)	-	-
<b>Profit/(Loss) for the period</b>		<b>1,226,455</b>	(3,646,165)	<b>846,195</b>	983,376
<b>Earnings/(Loss) per share</b>		<b>€0.0057</b>	-€ 0.0119	<b>€0.0044</b>	€ 0.0051

**Statements of Comprehensive Income**

For the period ended 30 June

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>30.06.21</b>	30.06.20	<b>30.06.21</b>	30.06.20
	<b>Unaudited</b>	Unaudited	<b>Unaudited</b>	Unaudited
	<b>€</b>	€	<b>€</b>	€
<b>Profit/(Loss) for the period</b>	<b>1,226,455</b>	(3,646,165)	<b>846,195</b>	983,376
<b>Other comprehensive income</b>				
<i>Items that are or may be reclassified to profit or loss</i>				
Foreign currency translation differences on foreign operations	(169,443)	62,068	-	-
<i>Items that will not be reclassified to profit or loss</i>				
Re-measurement in net defined benefit liability	53,325	-	61,324	-
<b>Total comprehensive income/(loss)</b>	<b>1,110,337</b>	(3,584,097)	<b>907,519</b>	983,376
<b>Total comprehensive income/(loss) attributable to:</b>				
Owners of the Company	1,162,874	(2,253,505)	907,519	983,376
Non-controlling interest	(52,537)	(1,330,592)	-	-
<b>Total comprehensive income/(loss) for the period</b>	<b>1,110,337</b>	(3,584,097)	<b>907,519</b>	983,376

**Statements of Changes in Equity**

For the period ended 30 June 2021

GROUP	Attributable to equity holders of the Company										
	Employee							Share	Non-		
	Share	Share	Translation	Fair value	benefits	Other	option	Retained	controlling		
	capital	premium	reserve	reserve	reserve	reserves	reserve	earnings	Total	interest	Total
	€	€	€	€	€	€	€	€	€	€	€
Balance at 1 January 2020	11,578,114	1,077	(45,870)	(1,873)	(478,741)	265,385	77,263	5,617,485	17,012,840	(2,927,662)	14,085,178
Comprehensive income for the period											
Loss for the period	-	-	-	-	-	-	-	(2,303,652)	(2,303,652)	(1,342,513)	(3,646,165)
Foreign currency translation differences	-	-	50,147	-	-	-	-	-	50,147	11,921	62,068
Total other comprehensive income for the period	-	-	50,147	-	-	-	-	-	50,147	11,921	62,068
Total comprehensive income/(loss) for the period	-	-	50,147	-	-	-	-	(2,303,652)	(2,253,505)	(1,330,592)	(3,584,097)
Transactions recorded directly in equity											
Employee share benefits	-	-	-	-	-	34,615	-	-	34,615	-	34,615
	-	-	-	-	-	34,615	-	-	34,615	-	34,615
Balance at 30 June 2020	11,578,114	1,077	4,277	(1,873)	(478,741)	300,000	77,263	3,313,833	14,793,950	(4,258,254)	10,535,696

**Statements of Changes in Equity (continued)**

For the period ended 30 June 2021

GROUP	Attributable to equity holders of the Company									Total €	Non-controlling interest €	Total €
	Share capital €	Preference Share capital €	Share premium €	Translation reserve €	Fair value reserve €	Employee benefits reserve €	Other reserves €	Share option reserve €	Retained earnings €			
Balance at 1 January 2021	11,578,114	-	(135,479)	(221,068)	77,227	(1,752,978)	255,000	77,263	1,837,307	11,715,386	(4,645,276)	7,070,110
Comprehensive income for the period												
Profit for the period	-	-	-	-	-	-	-	-	1,091,470	1,091,470	134,985	1,226,455
Other comprehensive income												
Foreign currency translation differences	-	-	-	18,056	-	-	-	-	-	18,056	(187,499)	(169,443)
Re-measurement in net defined benefit liability	-	-	-	-	-	53,325	-	-	-	53,325	-	53,325
Total other comprehensive income for the period	-	-	-	18,056	-	53,325	-	-	-	71,381	(187,499)	(116,118)
Total comprehensive (loss)/income for the period	-	-	-	18,056	-	53,325	-	-	1,091,470	1,162,851	(52,514)	1,110,337
Transactions with owners of the Company												
Preference share issue	-	539,376	14,835,983	-	-	-	-	-	-	15,375,359	-	15,375,359
Share options exercised	-	-	-	-	-	-	-	(47,299)	47,299	-	-	-
	-	539,376	14,835,983	-	-	-	-	(47,299)	47,299	15,375,359	-	15,375,359
Balance at 30 June 2021	11,578,114	539,376	14,700,504	(203,012)	77,227	(1,699,653)	255,000	29,964	2,976,076	28,253,596	(4,697,790)	23,555,806

**Statements of Changes in Equity (continued)**

For the period ended 30 June 2021

**COMPANY**

	<b>Share capital €</b>	<b>Share premium €</b>	<b>Fair value Reserve €</b>	<b>Other Reserves €</b>	<b>Share option Reserve €</b>	<b>Employee benefits reserve €</b>	<b>Retained earnings €</b>	<b>Total €</b>
<b>Balance at 1 January 2020</b>	11,578,114	1,077	(1,873)	265,385	77,263	(502,168)	15,536,017	26,953,815
<b>Comprehensive income for the year</b>								
Profit for the year	-	-	-	-	-	-	983,376	983,376
<b>Transactions recorded directly in equity</b>								
Employee share benefits	-	-	-	34,615	-	-	-	34,615
	-	-	-	34,615	-	-	-	34,615
<b>Balance at 30 June 2020</b>	11,578,114	1,077	(1,873)	300,000	77,263	(502,168)	16,519,393	27,971,806



**Statements of Changes in Equity (continued)**

For the period ended 30 June 2021

**COMPANY**

	Share Capital €	Preference Share Capital €	Share Premium €	Fair value reserve €	Other reserves €	Share option reserve €	Employee benefits reserve €	Retained earnings €	Total €
<b>Balance at 1 January 2021</b>	<b>11,578,114</b>	<b>-</b>	<b>(135,479)</b>	<b>77,227</b>	<b>255,000</b>	<b>77,263</b>	<b>(1,769,458)</b>	<b>19,215,770</b>	<b>29,298,437</b>
<b>Comprehensive income for the period</b>									
Profit for the period	-	-	-	-	-	-	-	846,195	846,195
Total comprehensive income for the period	-	-	-	-	-	-	-	846,195	846,195
<b>Transactions recorded directly in equity</b>									
Re-measurement in net defined benefit liability	-	-	-	-	-	-	46,830	-	46,830
	-	-	-	-	-	-	46,830	-	46,830
<b>Transactions with owners of the Company</b>									
Preference share issue	-	539,376	14,835,981	-	-	-	-	-	15,375,357
Share options exercised	-	-	-	-	-	(47,299)	-	47,299	-
	-	539,376	14,835,981	-	-	(47,299)	-	47,299	15,375,357
<b>Balance at 30 June 2021</b>	<b>11,578,114</b>	<b>539,376</b>	<b>14,700,502</b>	<b>77,227</b>	<b>255,000</b>	<b>29,964</b>	<b>(1,722,628)</b>	<b>20,109,264</b>	<b>45,566,819</b>

## Condensed Interim Financial Statements for the period ended 30 June 2021

**Statements of Cash Flows**

For the six months ended 30 June

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>30.06.21</b>	30.06.20	<b>30.06.21</b>	30.06.20
	<b>Unaudited</b>	Unaudited	<b>Unaudited</b>	Unaudited
	€	€	€	€
<b>Cash flows from operating activities</b>				
Profit/(Loss) for the period	<b>1,226,455</b>	(3,646,165)	<b>846,195</b>	983,376
Adjustments for:				
Depreciation	<b>582,142</b>	496,974	<b>165,944</b>	180,581
Amortisation of intangible assets	<b>520,743</b>	424,342	<b>508,319</b>	424,342
Provision for expected credit losses	-	17,490	-	13,000
Provision for impairment loss/(gain) on receivables and contract costs	-	29,871	-	-
Interest payable	<b>153,339</b>	129,298	<b>131,000</b>	106,015
Interest receivable	<b>(18,908)</b>	(5,984)	<b>(34,600)</b>	(36,321)
Provision for legal claims	<b>947,226</b>	-	<b>449,444</b>	-
Unwinding of discount on post-employment benefits	<b>43</b>	3,185	<b>43</b>	2,693
Unwinding of discount on contract assets	-	-	-	(6,843)
Unwinding of discount on deposit	-	622	-	-
Employee share benefits	<b>18,897</b>	86,625	-	34,615
Income tax	<b>1,542,431</b>	584,241	<b>1,281,185</b>	531,025
Provision for exchange fluctuations	<b>(442,356)</b>	69,833	<b>(373,934)</b>	60,593
Change in fair value of derivative	-	(5,758)	-	(5,758)
Disposal of investment	<b>296,205</b>	-	<b>296,205</b>	-
	<b>4,826,217</b>	(1,815,426)	<b>3,269,801</b>	2,287,318
Changes in trade and other receivables	<b>909,215</b>	(4,192,085)	<b>(150,019)</b>	75,308
Changes in trade and other payables	<b>(2,669,045)</b>	3,279,842	<b>568,037</b>	585,731
Change in other related parties' balances	-	-	<b>(4,655,501)</b>	(6,626,755)
Inventories	<b>(36,332)</b>	(173,595)	-	-
Cash generated from/(used in) operating activities	<b>3,030,055</b>	(2,901,264)	<b>(967,682)</b>	(3,678,398)
Interest paid	<b>(140,300)</b>	(117,291)	<b>(131,000)</b>	(106,065)
Interest received	<b>29</b>	189	<b>28,712</b>	15,577
Income taxes paid	<b>(651,190)</b>	(12,181)	<b>(651,190)</b>	(8)
<b>Net cash generated from/(used in) operating activities</b>	<b>2,238,594</b>	(3,030,547)	<b>(1,721,160)</b>	(3,768,894)

## Statements of Cash Flows (continued)

For the six months ended 30 June

	GROUP		COMPANY	
	30.06.21 Unaudited €	30.06.20 Unaudited €	30.06.21 Unaudited €	30.06.20 Unaudited €
<b>Cash flows from investing activities</b>				
Acquisition of property, plant and equipment	(784,714)	(91,411)	(52,628)	(38,273)
Acquisition of right-of-use assets	(52,331)	-	-	-
Acquisition of intangible assets	(11,900)	-	-	-
Capitalised development costs	(2,094,795)	(1,356,708)	(1,014,822)	(543,442)
Investment in subsidiary	-	-	174,214	(991,428)
Advances to subsidiaries	-	-	(3,349,011)	(7,958)
Repayment of advances from subsidiaries	-	-	2,673,264	-
<b>Net cash used in investing activities</b>	<b>(2,943,740)</b>	<b>(1,448,119)</b>	<b>(1,568,983)</b>	<b>(1,581,101)</b>
<b>Cash flows from financing activities</b>				
Dividends paid	-	(28)	-	(28)
Proceeds from issue of preference share capital	15,430,817	-	15,430,817	-
Proceeds from bank borrowings	-	2,500,000	-	2,500,000
Repayments of bank borrowings	(240,476)	(267,664)	(240,476)	(267,664)
Proceeds from borrowings under the credit facility	-	2,929,751	-	2,929,751
Repayment of lease liabilities	(179,895)	(180,420)	-	66
Payments of preference share issue costs	(55,459)	-	(55,459)	-
<b>Net cash generated from financing activities</b>	<b>14,954,987</b>	<b>4,981,639</b>	<b>15,134,882</b>	<b>5,162,125</b>
<b>Net movement in cash and cash equivalents</b>	<b>14,249,841</b>	<b>502,973</b>	<b>11,844,739</b>	<b>(187,870)</b>
Cash and cash equivalents at 1 January	(2,834,957)	2,429,476	(8,117,145)	1,141,695
Effect of exchange rate fluctuations on cash held	230,425	112,115	985	(1,412)
<b>Cash and cash equivalents at 30 June</b>	<b>11,645,309</b>	<b>3,044,564</b>	<b>3,728,579</b>	<b>952,413</b>

## **Notes to the financial statements**

### **1 Reporting entity**

RS2 Software p.l.c. (the “Company”) is a public limited liability company domiciled and incorporated in Malta.

The condensed interim financial statements of the Company as at the end and for the six months ended 30 June 2021 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”).

### **2 Statement of compliance**

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU for interim financial statements (IAS 34 Interim Financial Reporting). The interim financial statements do not include all information required for full annual financial statements, and should be read in conjunction with the financial statements of the Group for the year ended 31 December 2020.

Changes to significant accounting policies are described in Note 4.

### **3 Use of estimates and judgements**

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

### **4 Significant accounting policies**

The accounting policies applied by the Group in these condensed interim financial statements are the same as those applied by the Group in its financial statements as at and for the year ended 31 December 2020. A number of amendments to existing standards are effective from 1 January 2021 but the Group and the Company do not expect a material impact therefrom.

## 5 Determination of fair values

The Group has an established control framework with respect to the measurement of fair values. The reported carrying amounts of the Group's and Company's current financial instruments are the same as those applied in the last annual financial statements and are a reasonable approximation of the financial instruments' fair values in view of their short-term maturities and in the case of the derivative, this was measured at fair value. The Group's and Company's fair values of other financial assets and liabilities, together with the carrying amounts in the statement of financial position are also a reasonable approximation of their respective fair values.

## 6 Segment reporting

### 6.1 Information about the group's reportable segments

	Software (License) solutions Unaudited	Processing solutions Unaudited	Merchant solutions Unaudited	Total Unaudited
	€	€	€	€
<b>30 June 2021</b>				
External revenues	6,378,465	10,935,692	1,026,438	18,340,595
Inter-segment revenues	4,455,234	-	127,905	4,583,139
Segment revenues	10,833,699	10,935,692	1,154,343	22,923,734
Reportable segment profit/(loss) before income tax	2,530,885	768,954	(573,951)	2,725,888
<b>30 June 2020</b>				
External revenues	5,900,411	4,320,475	616,418	10,837,304
Inter-segment revenues	4,359,861	20,449	-	4,380,310
Segment revenues	10,260,272	4,340,924	616,418	15,217,614
Reportable segment profit/(loss) before income tax	995,300	(3,736,401)	(394,155)	(3,135,256)

## 6 Segment reporting (continued)

### 6.2 Reconciliation of reportable segment revenues and profit and loss

	<b>30.06.2021</b>	30.06.2020
	<b>Unaudited</b>	Unaudited
	<b>€</b>	€
<b>External revenues</b>		
Total revenue for reportable segments	<b>22,923,734</b>	14,601,196
Total revenue for other segments	-	616,418
Elimination of inter-segment transactions	<b>(4,583,139)</b>	(4,380,310)
Consolidated revenue	<b>18,340,595</b>	10,837,304
 <b>Profit/(Loss) before tax</b>		
Total profit/(loss) before tax for reportable segments	<b>2,725,888</b>	(2,741,101)
Loss before tax for other segments	-	(394,155)
Elimination of inter-segment transactions	<b>42,998</b>	73,332
Consolidated reportable segment profit/(loss) before tax	<b>2,768,886</b>	(3,061,924)

## 7 Revenue

The Group's operations and main revenue streams are those described in the last annual financial statements. The Group's revenue is derived from contracts with customers.

### 7.1 Disaggregation of revenue

Revenue is stated after deduction of sales rebates and indirect taxes and comprises of revenue from contracts with customers.

In the following table, revenue is disaggregated by category of activity, primary geographical market and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments.

## Condensed Interim Financial Statements for the period ended 30 June 2021

**7 Revenue (continued)****7.1 Disaggregation of revenue (continued)**

GROUP		Licensing solutions		Processing solutions		Merchant solutions		Total	
		30.06.21	30.06.20	30.06.21	30.06.20	30.06.21	30.06.20	30.06.21	30.06.20
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Category of activity		€	€	€	€	€	€	€	€
License fees excluding Customisation *		2,439,003	216,222	-	-	-	-	2,439,003	216,222
Service fees, transaction processing and customisation		4,425,737	3,631,029	8,617,350	4,176,030	867,676	602,856	13,910,763	8,409,915
Maintenance fees Comprehensive packages		1,573,376	1,669,426	29,425	20,086	12,827	4,613	1,615,628	1,694,125
		357,000	357,000	-	-	-	-	357,000	357,000
Re-imbursement of expenses		-	26,734	-	124,359	-	8,949	-	160,042
Operating lease income		-	-	-	-	18,201	-	18,201	-
		8,795,116	5,900,411	8,646,775	4,320,475	898,704	616,418	18,340,595	10,837,304

  

GROUP		Licensing solutions		Processing solutions		Merchant solutions		Total	
		30.06.21	30.06.20	30.06.21	30.06.20	30.06.21	30.06.20	30.06.21	30.06.20
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Geographical markets		€	€	€	€	€	€	€	€
Europe		6,007,801	5,318,267	1,636,059	1,176,165	898,704	616,418	8,542,564	7,110,850
Middle East		327,725	433,241	22,017	86,653	-	-	349,742	519,894
North America		2,281,503	-	5,892,863	2,852,743	-	-	8,174,366	2,852,743
South America		-	-	320,410	-	-	-	320,410	-
Asia		178,090	148,903	775,423	204,914	-	-	953,513	353,817
		8,795,119	5,900,411	8,646,722	4,320,475	898,704	616,418	18,340,595	10,837,304

\* Where this relates to a license that is not distinct from customised implementation, this refers to the period of customisation.

**7 Revenue (continued)****7.2 Contract balances**

The following table provides information about the Group's and the Company's receivables, contract assets and contract liabilities from contracts with customers.

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>30.06.21</b>	30.06.20	<b>30.06.21</b>	30.06.20
	€	€	€	€
Receivables, which are included in 'Trade and other receivables'	<b>1,190,598</b>	2,591,594	<b>16,350,572</b>	3,645,913
Contract assets	<b>5,598,717</b>	3,286,758	<b>5,775,821</b>	7,764,151
Contract liabilities	<b>(2,105,099)</b>	(2,403,415)	<b>(2,375,802)</b>	(2,539,673)

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer. The contract liabilities primarily relate to the advance consideration received from customers, for which the revenue recognition criteria are not yet met.

**7.3 Future revenues**

The following tables include revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at 30 June 2021.

	<b>GROUP</b>			
	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>Total</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>and beyond</b>	<b>Unaudited</b>
	€	€	€	€
License fees	<b>19,758</b>	-	<b>300,000</b>	<b>319,758</b>
Services fees	<b>430,366</b>	<b>44,148</b>	<b>391,820</b>	<b>866,334</b>



**7 Revenue (continued)****7.3 Future revenues (continued)**

	<b>COMPANY</b>			
	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>Total</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>and beyond</b>	<b>Unaudited</b>
	<b>€</b>	<b>€</b>	<b>Unaudited</b>	<b>€</b>
License fees	<b>19,758</b>	<b>-</b>	<b>780,000</b>	<b>799,758</b>
Services fees	<b>5,899</b>	<b>-</b>	<b>173,000</b>	<b>178,899</b>

The following tables include revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at 30 June 2020.

	<b>GROUP</b>			
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>Total</b>
	<b>€</b>	<b>€</b>	<b>and beyond</b>	<b>€</b>
	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
License fees	36,456	300,000	-	336,456
Services fees	1,917,894	407,161	-	2,325,055

	<b>COMPANY</b>			
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>Total</b>
	<b>€</b>	<b>€</b>	<b>and beyond</b>	<b>€</b>
	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
License fees	36,456	300,000	480,000	816,456
Services fees	9,234	125,000	48,000	182,234

The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less. The Group also does not disclose information about the remaining performance obligations that have a fixed amount and for which the Group has a right to invoice the customer in the amount that corresponds directly with the value of the entity's performance completed to date in accordance with paragraph B16 of IFRS 15.

The above also excludes fees from transaction processing services.

## **8 Property, plant and equipment**

During the six months ended 30 June 2021, the Group acquired fixed assets with a cost of €872,564 (six months ended 30 June 2020: €101,263). No assets were disposed of up to 30 June 2021 (six months ended 30 June 2020: none).

## **9 Leases**

### **9.1 The Group as a lessee**

The Group has leases for office premises in Gozo, Denver, Manila, Neu-Isenburg, Reinsdorf; and cars in Germany. Details about these lease agreements are included within the Group's consolidated financial statements as at and for the year ended 31 December 2020. No changes to these lease agreements took place in the six months ended 30 June 2021, except for the termination of the lease agreement of the apartment in Mosta, Malta.

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

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

## 9 Leases (continued)

### 9.1 The Group as a lessee (continued)

GROUP	Land and buildings	Cars	Terminals	Total
	Unaudited €	Unaudited €	Unaudited €	Unaudited €
Balance at 1 January 2020	2,560,771	-	-	2,560,771
Additions from acquisitions	-	-	51,341	51,341
Depreciation charge for the year	(403,458)	(40,615)	(34,233)	(478,306)
Additions to right-of-use assets	-	124,018	-	124,018
Transfer to right-of-use assets	-	-	(17,108)	(17,108)
Effects of movement in exchange rates	4,466	-	-	4,466
As at 31 December 2020	2,161,779	83,403	-	2,245,182
Balance at 1 January 2021	2,161,779	83,403	-	2,245,182
Depreciation charge for the year	(204,433)	(26,261)	-	(230,694)
Additions to right-of-use assets	229,936	58,300	-	288,236
Effects of movement in exchange rates	1,100	-	-	1,100
Balance at 30 June 2021	2,188,382	115,442	-	2,303,824

  

COMPANY	Land and buildings
	Unaudited €
Balance at 1 January 2020	497,120
Depreciation charge for the year	(36,578)
As at 31 December 2020	460,542
Balance at 1 January 2021	460,542
Depreciation charge for the year	(18,258)
Balance at 30 June 2021	442,284

**9 Leases (continued)****9.1 The Group as a lessee (continued)**

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

<b>GROUP</b>	<b>Land and buildings</b>	<b>Cars</b>	<b>Terminals</b>	<b>Total</b>
	Unaudited €	Unaudited €	Unaudited €	Unaudited €
Balance at 1 January 2020	2,562,102	-	-	2,562,102
Additions from acquisitions	-	-	47,341	47,341
Additions	-	124,018	-	124,018
Accretion of interest	60,994	2,567	539	64,100
Payments	(429,274)	(42,561)	(47,880)	(519,715)
As at 31 December 2020	2,193,822	84,024	-	2,277,846
Balance at 1 January 2021	<b>2,193,822</b>	<b>84,024</b>	-	<b>2,277,846</b>
Additions	<b>229,936</b>	<b>58,300</b>	-	<b>288,236</b>
Accretion of interest	<b>27,665</b>	<b>1,202</b>	-	<b>28,867</b>
Payments	<b>(183,227)</b>	<b>(59,502)</b>	-	<b>(242,729)</b>
Balance at 30 June 2021	<b>2,268,196</b>	<b>84,024</b>	-	<b>2,352,220</b>

  

<b>COMPANY</b>	<b>Land and buildings</b>
	Unaudited €
Balance at 1 January 2020	493,155
Accretion of interest	13,551
Payments	(40,469)
As at 31 December 2020	466,237
Balance at 1 January 2021	<b>466,237</b>
Accretion of interest	<b>6,526</b>
Payments	<b>(28,410)</b>
Balance at 30 June 2021	<b>444,353</b>

**9 Leases (continued)**

**9.1 The Group as a lessee (continued)**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>30.06.20</b>	30.06.19	<b>30.06.20</b>	30.06.19
	<b>Unaudited</b>	Unaudited	<b>Unaudited</b>	Unaudited
	<b>€</b>	€	<b>€</b>	€
Current	<b>403,939</b>	333,149	<b>15,641</b>	15,420
Non-Current	<b>1,948,281</b>	1,944,697	<b>428,712</b>	450,817

The following are the amounts recognised in profit or loss during the periods:

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>30.06.20</b>	30.06.19	<b>30.06.20</b>	30.06.19
	<b>Unaudited</b>	Unaudited	<b>Unaudited</b>	Unaudited
	<b>€</b>	€	<b>€</b>	€
Depreciation expense	<b>230,694</b>	198,325	<b>18,258</b>	18,254
Interest expense on lease liabilities	<b>28,867</b>	30,154	<b>6,526</b>	6,871
	<b>259,561</b>	228,479	<b>24,784</b>	25,125

The variable lease payments with respect to the lease on cars held by the Group were not material as at 30 June 2021 and 2020. No variable lease payments exist as at 30 June 2021 and 2020 with respect to the leases held by the Company.

No residual value guarantees apply with respect to the leases held by the Group and the Company as at 30 June 2021 and 2020.

**9 Leases (continued)**

**9.2 The Group as a lessor**

**9.2.1 Operating lease arrangements**

Operating leases, in which the Group is the lessor, relate to POS terminals in Germany, as disclosed within the Group's consolidated financial statements as at and for the year ended 31 December 2020.

Maturity analysis of operating lease receipts:

<b>Group</b>	<b>30.06.21</b>	30.06.20
	<b>Unaudited</b> €	Unaudited €
Within 1 year	<b>9,933</b>	15,697
Between 1 and 2 years	<b>1,073</b>	2,032
<b>Total</b>	<b>11,006</b>	17,729

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

<b>Group</b>	<b>30.06.21</b>	30.06.20
	<b>Unaudited</b> €	Unaudited €
Lease income on operating leases	<b>18,201</b>	21,301
Depreciation charge for the year	<b>(10,310)</b>	(13,739)
<b>Total</b>	<b>7,891</b>	7,562

**9 Leases (continued)**  
**9.2 The Group as a lessor (continued)**  
**9.2.2 Finance lease receivables**

<b>Group</b>	<b>Total Unaudited €</b>
Additions on business combination on 1 January 2020	80,294
Additions during the year	79,535
Release of receivables during the year	(49,243)
Unwinding of interest	19,928
Balance at 31 December 2020	130,514
Additions on business combination on 1 January 2021	<b>130,514</b>
Additions during the year	<b>29,617</b>
Release of receivables during the year	<b>(33,006)</b>
Unwinding of interest	<b>13,014</b>
Balance at 30 June 2021	<b>140,139</b>

<b>Group</b>	<b>30.06.21 Unaudited €</b>	<b>30.06.20 Unaudited €</b>
<b>Amounts receivable under finance leases:</b>		
Within 1 year	<b>113,815</b>	63,468
Between 1 and 2 years	<b>59,955</b>	58,913
Between 2 and 3 years	<b>39,982</b>	41,073
Between 3 and 4 years	<b>26,731</b>	17,232
More than 4 years	<b>12,336</b>	13,840
<b>Undiscounted lease payments</b>	<b>252,819</b>	194,526
Less unearned finance income	<b>(112,680)</b>	(64,012)
<b>Present value of lease payments receivable</b>	<b>140,139</b>	130,514
Impairment loss allowance	-	-
<b>Net investment in the lease</b>	<b>140,139</b>	130,514

**9 Leases (continued)**  
**9.2 The Group as a lessor (continued)**  
**9.2.2 Finance lease receivables (continued)**

<b>Group</b>	<b>30.06.21</b> <b>Unaudited</b> €	30.06.20 Unaudited €
<b>Undiscounted lease payments analysed as:</b>		
Recoverable within 12 months	<b>139,004</b>	131,058
Recoverable after 12 months	<b>113,815</b>	63,468
	<b>252,819</b>	194,526
<b>Net investment in the lease analysed as:</b>		
Recoverable within 12 months	<b>92,519</b>	89,071
Recoverable after 12 months	<b>47,620</b>	41,443
	<b>140,139</b>	130,514

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

<b>Group</b>	<b>30.06.21</b> <b>Unaudited</b> €	30.06.20 Unaudited €
Finance income on the net investment in finance leases	<b>13,014</b>	9,024

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

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



**10 Intangible assets and goodwill**

During the period ended 30 June 2021, the Group and the Company capitalised expenditure on the development of computer software amounting to €2,094,795 and €1,014,822, respectively (period ended 30 June 2020: €1,213,516 and €543,442 respectively).

Intangible assets as at 30 June 2021 also include goodwill amounting to €1,262,715 (31 December 2020: €1,262,715).

**11 Financial instruments – fair values and risk management****11.1 Measurement of fair values****Loans receivable**

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

**Non-derivative financial liabilities**

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

**Derivative financial instruments**

The fair value of the interest rate swap is based on the banker's quote which comprises a present value of future cash flows discounted at the applicable year end discount rate. In this respect, derivatives have been categorised as Level 2 fair values. The swap matured in January 2021, and no other derivatives are held by the Group.

**Share-based payment transactions**

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

For the cash-settled share-based payment, as further disclosed in Notes 10.8.2 and 29.3 of the 2020 annual report, a management's expert has been engaged in order to assist in the valuation of the minority stake in the US subsidiary.

**11 Financial instruments – fair values and risk management** (continued)**11.1 Measurement of fair values** (continued)**Share-based payment transactions** (continued)

In order to estimate the Enterprise Value of the subsidiary at 31 December 2020 and 31 December 2019, an income approach valuation methodology (using a discounted cash flow model) was applied, with the most significant input being the share price of the underlying US subsidiary, with inputs and sensitivities being largely in line with those identified in Note 29.3 of the 2020 annual report.

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

**Finance lease receivables**

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

**Fair values versus carrying amounts**

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

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

**11.2 Transfers between levels**

There were no transfers from Level 2 to Level 1 and from Level 1 to Level 2 during the six months ended 30 June 2021 and likewise for 2020.

## 11 Financial instruments – fair values and risk management (continued)

### 11.3 Concentration of credit risk

The movement in the allowance for impairment in respect of trade receivables and contract assets during the reporting period was as follows:

	<b>GROUP</b> <b>Unaudited</b>	<b>COMPANY</b> <b>Unaudited</b>
	€	€
Balance at 1 January 2021	<b>1,282,346</b>	<b>43,000</b>
Net re-measurement of loss allowance	<b>454,737</b>	<b>454,660</b>
Balance at 30 June 2021	<b>1,737,083</b>	<b>497,660</b>
Balance at 1 January 2020	186,064	44,341
Net re-measurement of loss allowance	41,942	13,000
Balance at 30 June 2020	228,006	57,341

The increase in loss allowance is mainly attributable to the total increase in the gross carrying amounts of trade receivables and contract assets. The methodology for the calculation of ECL is the same as described in the last audited annual financial statements.

## 12 Related Parties

### 12.1 Related party transactions

Similar to what was reported in the financial statements for the year ended 31 December 2020, the Group and the Company had the following transactions with related parties:

	GROUP		COMPANY	
	30.06.21 Unaudited €	30.06.20 Unaudited €	30.06.21 Unaudited €	30.06.20 Unaudited €
<b>Parent company</b>				
Interest charged to	5,213	5,220	5,213	5,220
<b>Subsidiaries</b>				
Support services provided to			6,545,536	4,359,861
Support services provided by			1,978,877	1,270,591
Recharge of salaries to			114,541	113,457
Recharge of overheads to			76,462	111,764
Recharge of salaries by			108,000	165,348
<b>Other related parties</b>				
Depreciation charge on right-of-use asset	86,000	86,000	-	-
Interest expense on lease liability	10,695	12,056	-	-
Legal and administrative services provided by	169,500	116,630	145,360	66,486
Support services provided to	2,223,018	2,928,620	2,223,018	2,928,620
Support services not yet invoiced provided to	487,528	454,726	487,528	454,726

All transactions entered into with related parties have been accounted for at fair and reasonable prices.

**12 Related Parties (continued)**

**12.2 Related party balances**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>30.06.21</b>	30.06.20	<b>30.06.21</b>	30.06.20
	<b>Unaudited</b>	Unaudited	<b>Unaudited</b>	Unaudited
	<b>€</b>	€	<b>€</b>	€
<b>Amounts receivable</b>				
Amounts owed by parent company	<b>802,047</b>	791,599	<b>802,047</b>	791,599
Amounts owed by subsidiary companies	-	-	<b>15,879,124</b>	2,470,588
Amounts owed by other related entities	<b>1,258</b>	38,060	<b>1,258</b>	38,060
<b>Amounts payable</b>				
Trade payables due to other related entities	<b>2,080</b>	<b>22,207</b>	<b>433,571</b>	157,341

**Statement pursuant to Listing Rule 5.75.3 issued by the Listing Authority**

As at 30 June 2021

We confirm that to the best of our knowledge:

- the condensed interim financial statements which have been prepared in compliance with International Financial Reporting Standards as adopted by the EU for interim financial statements (EU adopted IAS 34 Interim Financial Reporting), give a true and fair view of the financial position of the Group as at 30 June 2021, as well as the financial performance and cash flows for the period ended 30 June 2021; and
- the interim Directors' report includes a fair review of the information required in terms of Listing Rules 5.81 to 5.84.

**Mario Schembri**

Chairman

**Radi El Haj**

Director