



RS2 Software p.l.c.

COMPANY ANNOUNCEMENT

The following is a Company Announcement issued by RS2 Software p.l.c. (“the Company”) pursuant to the Capital Market Rules as issued by the Malta Financial Services Authority in accordance with the provisions of the Financial Markets Act (Chapter 345 of the Laws of Malta) as they may be amended from time to time.

Quote:

During a meeting held on 23 August 2022, the Board of Directors of the Company approved the attached Condensed Interim Consolidated Financial Statements, for the six-month period commencing on 1 January 2022 to 30 June 2022.

The Board of Directors has authorised the publication of the Condensed Interim Consolidated Financial Statements as at 30 June 2022, which is available for viewing on the Company’s website at <https://www.rs2.com/company/investor-relations/news-publications/financial-statements>.

Notice of material variance

The Board of Directors notes that the results for the period ended 30 June 2022 vary as compared to the 2022 projected results as published in the Prospectus dated 19 February 2021.

Despite the global slowdown, inflation has been revised upwards over the last few months. With higher-than-expected inflation, global financial conditions are becoming tighter. This broadened inflation reflects an impact in cost pressures experienced by our customers. The resulting synchronised monetary tightening across countries is historically unprecedented, where the Group has noted several forecast revenues which did not materialise as yet, during the first six months of 2022.

As previously communicated, the Group experienced delays in expected revenues from business operations due to unforeseen circumstances and dependence on third party deliverables. Despite this, cost savings were prioritised Group-wide, in order to allow the Group to successfully turn around its financial performance into a respectable profit, which, as at June 2022 not only meets but exceeds projected results.

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RS2 progress and outlook for 2022 and beyond

RS2 continues to maintain its momentum and the execution of its strategy in all business segments within the Group.

During the first half of 2022, despite turmoil in Ukraine and higher-than-expected inflation forcing customers to slow down on planned investments, the Group successfully entered new markets in various regions. This has allowed the Group to expand its processing business, which will materialise in terms of transaction volumes in Quarter 3 and Quarter 4 of 2022, along with a new client installation expected to kick-off in Quarter 3 of 2022, which will result in increased volume generation as from Quarter 1 2023.

Regional Business Update

Latin America (LATAM):

The Group has extended its presence in LATAM adding Mexico, Chile and Peru to the current operational markets, namely Brazil, Columbia and Argentina. In these markets, the Group will be offering transaction processing services to Payment Service Providers (PSPs), banks and financial institutions that provide acquiring services to online merchants, as well as stores and shops. Integration with local schemes within these markets will enhance the acceptance rate of customers, which in turn, mitigates fraud risk and increases their profitability.

Asia Pacific (APAC):

The Group added Australia as a new market and will be launching this business in Quarter 3 of 2022. This is deemed to be another major market in APAC, in addition to the current operative ones, namely Philippines, Singapore, Malaysia, Indonesia and Vietnam. In the Philippines, the Group is in the process of adding InstaPay, the real-time online local scheme, which will allow us to offer services to banks in the market, using its own developed application (APP) for fund transfers, bill payments and other banking services.

North America (US):

The US subsidiary continues to ramp up its client base with respect to the Independent Sales Organisations (ISO) processing business, whereby it has added another three ISOs to its portfolio. The team in the US has successfully managed to get this line of business streamlined, allowing the Company to start focusing on new businesses in the market.

Today, the US subsidiary manages two business lines, the ISO processing business and the enterprise business. For the enterprise business, the Company manages the client's private infrastructure on the cloud, in addition to providing processing and other services. On the other hand, with respect to the ISO processing business, the Company runs the business on the Group's dedicated cloud.

In addition to the aforementioned business lines, the subsidiary in the US is diversifying its services to enable its offering of issuing processing services in the US market by partnering

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with a technology company that services over 400 community banks and other customers in the US. Together with this selected partner, the Company will start these processing operations in Quarter 1 of 2023. This partnership and respective operations signify an important achievement in the US, as this represents a new line of business, as well as a new revenue stream, over and above the acquiring business.

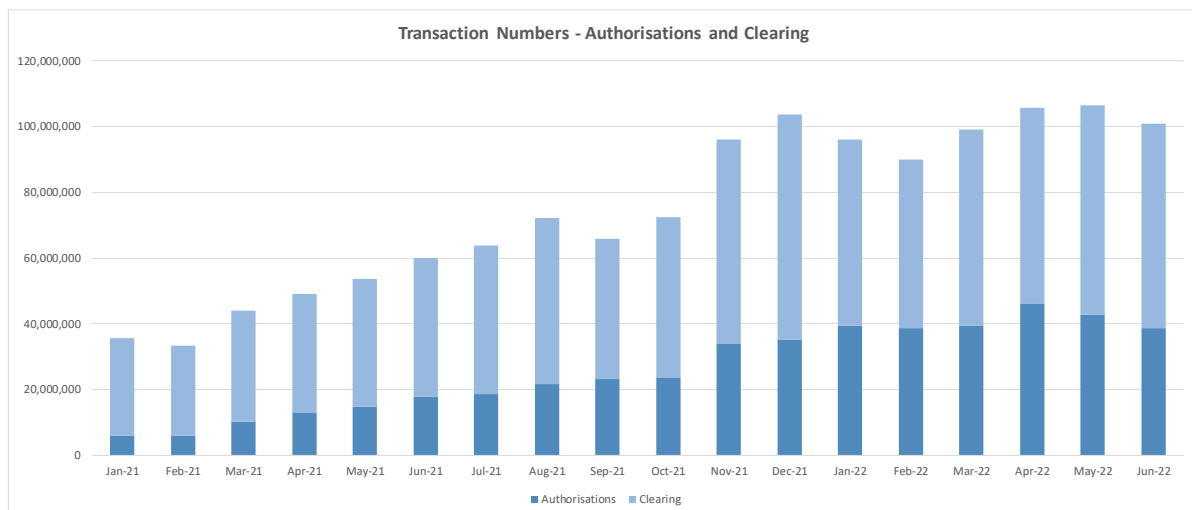
This subsidiary company is also embarking on a new market segment of Payment Facilitators (PayFac) and Independent Software Vendors (ISVs). This market segment fits perfectly within the Group's strategy due to the nature of their business being global and more technology driven. The team in the US is complemented with the right skills to pursue these business lines and engagement with potential customers is well underway.

RS2 Smart Processing:

This Company continues to increase its transaction processing volumes through its existing customers as well as new customers. In fact, during the first half of 2022, an additional 4 clients were contracted. One of these new implementations is currently in its pilot phase, while a second one is expected to be complete in Quarter 3 of 2022. The remaining two implementations are expected to go live by the end of 2022.

Through the Group's recent investments in quality relationships with new premium clients, the Group has continued to increase the volume of transactions processed on the RS2 platform. This increase is expected to progress together with the gradual increase from existing clients and the on-boarding of various new clients.

Through the chart below, one can easily note the progression of the transactions which RS2 is processing on behalf of its clients:



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RS2 Financial Services:

In May 2021 RS2 announced that its German subsidiary RS2 Financial Services GmbH was granted an E-Money Institution (EMI) license by the German Federal Financial Supervisory Authority (BaFin). As an EMI institution, the Group is now able to provide direct acquiring and issuing services to merchants, and is expected to start offering such services from Quarter 3 2022.

The licensed subsidiary has successfully achieved a pivotal milestone in obtaining its principle membership from VISA as well as MasterCard. While the initial focus of this subsidiary company will be on the German market, the company has already passported its license to Austria.

The product offering in this business line will cover international credit and debit card acquiring services, Girocard acquiring services (being a German interbank network and debit card service), Point of Sale (POS) terminals, as well as Payment Service Provider (PSP) and Network Service Provider (NSP) services. The Group is ramping up its business by initially cross selling acquiring services into the portfolio of RS2 Zahlungssysteme GmbH (a Group company). Eventually this is expected to increase through organic growth via on-boarding of sales partners, and potential selective add-on acquisitions of profitable merchant portfolios.

This new acquiring business line will provide the Group with a higher profit margin as compared to the processing model which has been applied so far. Under processing agreements, a fixed fee is charged per transaction related to processing services, while on the other hand, an acquiring model will allow the Group to charge a percentage of the transaction value rather than just the fixed fee, resulting in more favourable profit margins.

Technology and Products update

The Group has been enhancing its BankWORKS® platform by adding additional capabilities and products in order to provide a variety of services to its clients and business partners. The team continues to add more Application Programming Interface (APIs) to allow easy and quick integration with the BankWORKS® platform, thereby successfully increasing its service offering and capabilities.

Having a newly developed reconciliation product will provide customers with a powerful, fully digitalised tool, which will enable customers to reconcile their business and eliminate any manual operations, thereby improving efficiency as well as profitability.

RS2 will be launching a new generation of its Merchant Portal later on this year. This new generation portal will include more capabilities to enable the Group to provide merchants with access to their data, together with digitalising their chargeback, reporting and service management.

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The infrastructure team at RS2 has successfully improved the processing capacity of our platform in order for the performance of such platform running on the cloud to be at an optimal level. These improvements allow the Group to process 33million clearing transactions per hour (this would be 31billion transactions per year and 4.2k authorisations per second). This achievement will lower the requirement of infrastructure costs per transaction which will benefit the Group's profit as the number of processed transactions continues to increase.

RS2's Security team continue to actively improve the security of our network and infrastructure, which is necessary in order to mitigate any cyber threat to our environment, thus ensuring secure transactions for all our clients.

Other updates

Across Europe, technology companies and financial firms are divesting its workforce having to reduce staff complements and slowing down hiring as global economic growth slows due to higher interest rates, red-hot inflation and an energy crisis in Europe. RS2, however, continues to place efforts in recruiting and engaging high profile professional officers. In line with the Group's strategy for growth of its operations, in March 2022, it was announced that the Group recruited a Group Chief Commercial Officer. Such effort and investment in the recruitment and growth of the RS2 workforce enables the Group to attract the right customers as well as strategic partners.

The Group's increase in marketing expenses over prior years, are reflective of the ongoing efforts in marketing and sales initiatives where the Group is placing particular focus on widening the base of its US and European clients. So much so, the Group's presence at Money2020 and ETA fairs in Europe and the US, amongst others, continues to strengthen RS2's presence among Financial Technology's (Fintech) power players.

Amplifying the repercussions resulting from the COVID-19 pandemic, the Russian invasion of Ukraine has magnified the slowdown in the global economy which is entering what could become a prolonged period of feeble growth and elevated inflation. This affects the Group's forecast for the year by way of customers delaying projects or stretching investments to bare minimum.

While the Group continues to grow, as it has successfully done over these past years, irrespective of market turbulences, it is expecting lower revenue than that previously published. Reasons for this, other than those directly correlated to the market instability, include the following:

- In line with their agreement, a long standing client decided to execute the terms of their agreement and take the development of their licensed software in-house;
- Even though the US ISO business has launched, the ramp up is happening slower than anticipated, negatively impacting revenues and profits for the US subsidiary;

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- RS2 Financial Services will be launching its full services in Quarter 3 leading to respective delays in ramping up this business line.

While revenue generated might be lower than that originally anticipated in the published forecast numbers, results from operating activities are strong despite the unprecedented events that have been shaking the financial markets and economy over the last couple of years. Costs group wide are managed tightly and wisely, ensuring that funds spent improve all aspects of the business operations.

Taking all aforementioned matters into consideration, the Group is expecting to generate revenue of approximately €41m for the year ended 31 December 2022. This will lead to an estimated Profit Before Tax of €3.9m and EBITDA of €6.8m.

Despite the negative market developments and respective impact on the Group's development, RS2 continues to develop positively and will be in an excellent position to outperform the market once the economy recovers.

Unquote.

A handwritten signature in blue ink, appearing to read 'Ivan Gatt', written in a cursive style.

Dr. Ivan Gatt
Company Secretary
24 August 2022



Interim Consolidated Financial Statements

For the period ended
30 June 2022

Company Registration Number: C 25829

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Directors' Report

For the period ended 30 June 2022

This report is published in terms of Chapter 5 of the Capital Market Rules as prescribed by the Malta Financial Services Authority in accordance with the provisions of the Capital Market Rules.

The condensed financial statements have been extracted from the Group's unaudited consolidated accounts for the six months ended 30 June 2022 and its comparative period in 2021. The comparative statements of financial position have been extracted from the audited financial statements as at 31 December 2021. The condensed interim financial statements have been prepared in accordance with accounting standards adopted for use in the EU for interim financial statements (IAS 34 Interim Financial Reporting). In terms of Capital Market 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 engaged in the development, installation, implementation and marketing of software for financial institutions under the trademark of BankWORKS®. Through its subsidiaries, the Group acts as a 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.

Directors' Report (continued)

Business review and future developments

RS2 Group continues to grow and deliver against strategic milestones. The Group is expanding its operations into Mexico, Chile and Peru as well as Singapore and Indonesia, and winning new clients in all regions.

In addition to the expansion of operations, RS2 Group is scaling and digitalising its operations globally, to be able to deliver against client demand. The Group has a number of new clients with large operations in the pipeline, and estimates that the number of transactions processed will increase from 750 million transactions in 2021 to over 1 billion transactions in 2022.

Although the Group experienced delays in both the launch of the ISO business in the United States, as well as the Financial Services business in Europe, both business lines were launched and are now expected to ramp up. In fact, the Financial Services business has been passported to Austria and the first E-Money product has been launched.

The Group continues to invest in order to deliver new products to the market such as the payment gateway Shop & Pay, a new reconciliation module, fully automated dispute management solutions as well as the next generation merchant and partner portal.

During the period under review, the Company registered revenue from its principal activities of €11.5m (2021: €12.1m) and a profit before tax of €2.9m (2021: €2.1m). The Managed Services arm of the Group, RS2 Smart Processing Limited, which is principally engaged in the processing of payment transactions using BankWORKS®, recorded revenue of €4.6m (2021: €2.9m) and a profit before tax of €0.5m (2021: €0.5m) while RS2 Software INC., which serves as the US arm of the Group with specific focus on the provision of Managed Services in North America, recorded revenue of €7.9m (2021: €8.2m) and a loss before tax of €0.5m (2021: profit before tax of €0.3m). RS2 Software APAC Inc. is currently supporting the Company in product development and its expansion in the APAC region. The RS2 German subsidiaries focus primarily on direct merchant acquiring and issuing services using one platform that integrates through and Application Programming Interface (API) to the merchant's website or store, thereby consolidating the entire business of the merchant across all the respective payment channels.

Directors' Report (continued)

Business review and future developments (continued)

During the period under review, on consolidating all of its activities, the Group generated revenue of €18.8m (2021: €18.3m) and registered a profit before tax of €2.7m (2021: €2.8m). At 30 June 2022, the Group's total assets amounted to €44.6m (2021: €47.6m), whereas its current assets exceeded its current liabilities by €6.0m (2021: €7.5m). The Board of Directors is confident that the Group can continue to operate as a going concern for the next 12 months from the date of approval of the financial statements as set out on in the Going Concern section below.

In the second half of the year, the Group is planning to ramp up its sales capabilities in order to sustain the growth of the Group. Despite the negative market developments and respective impact on the Group's development, RS2 continues to develop positively and will be in an excellent position to outperform the market once the economy recovers.

Going Concern

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

A strong economic downturn following the aggressive war by Russia on Ukraine can be noticed worldwide. The Group is seeing customers delaying projects as well as stretching investments thin. The full impact is expected to be evidenced in the second half of 2022. In addition, the heated recruitment market is impacting the Group's ability to meet its high demand. At the same time, attrition of IT resources is high, thus resulting in a slowdown of delivery.

The Group is taking appropriate measures to overcome this shortage through cooperation with external partners.

Through the going concern assessment carried out, one may note that even though the US ISO business was launched successfully, the ramp up will happen at a slower pace than initially anticipated, negatively impacting both revenue and profits of the US subsidiary. Similarly, RS2 Financial Services will launch its full services in Quarter 3 2022, leading to respective delays in ramping up the business.

Although lower revenue levels are anticipated when compared to initial published forecasts, nonetheless, despite the ongoing unprecedented events the world has been experiencing, the Group has continued to generate stable revenue and a solid bottom line performance is expected to be generated for the financial year ending 31 December 2022 and beyond.

Directors' Report (continued)

Going Concern (continued)

RS2 continues to observe the economic landscape to assess potential risks to its future operations. Climate change is a topic increasingly gaining momentum because of its potential effect on companies' business models, cash flows, financial position and financial performance. While most industries are likely to be affected by climate change and efforts to manage its impact, some will be more affected than others.

The Group is currently not aware of any present indicators of such risks brought about by climate change, but will continue to monitor the situation so that if any indicators arise through its customer base, supply chain, bankers, partners, insurers, investors or jurisdiction, these will be disclosed and reflected accordingly in the Group's Annual Report.

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

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

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

Principal Risks and Uncertainties

Through 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 2021, 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.

Directors' Report (continued)

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 (2021: Nil), in line with the announcement made during the preference share issue.

Reserves

Retained earnings amounting to €24.7m (2021: €22.8m) for the Company and €5.1m (2021: €5.0m) for the Group are being carried forward.

Key Events during the period

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

In accordance with an agreement entered into in February 2018, an executive (referred to as 'key management personnel') of RS2 Software INC. was granted 12,500 new shares in this subsidiary company.

This executive's employment with RS2 Software INC. was terminated in December 2020. Following this, a management's third party expert was engaged in order to assist in the valuation of the minority stake in RS2 Software INC..

Based on this third party valuation and several meetings and in-depth discussions, RS2 Software INC.'s Board of Directors offered a share buy-back price to the former executive of €1.36m (USD1.5m). In this respect, such amount was paid to this executive in the first quarter of 2022, reflecting the full and final settlement of this share buy-back transaction.

Settlement agreement with a party related to the strategic arrangements in place within the travel industry

In February 2018, the Group entered into an agreement with a party related to the strategic arrangements in place within the travel industry.

The Group incurred €1m worth of contract costs mainly related to costs incurred by the Group in relation to the provision of scoping and development services necessary for the implementation of pilot services.

Such costs were incurred in anticipation of a potential long-term strategic relationship with this party, for the development and commercialisation of a customised processing and payments solution for use in the travel industry.

Directors' Report (continued)

Key Events during the period (continued)

Settlement agreement with a party related to the strategic arrangements in place within the travel industry (continued)

The total costs incurred were fully provided for during the financial year ended 31 December 2020 since the project was put on hold. The costs were subsequently written off in the financial year ended 31 December 2021 since there no longer was the potential of the project ever kicking-off. That being said, in the first quarter of 2022, the aforementioned party offered RS2 a settlement agreement, which the Group accepted. As per settlement agreement dated 6 March 2022, RS2 received an amount of €229,200 as full and final settlement of the costs the Group incurred.

Impact of COVID-19 pandemic

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

Conflict between Russia and Ukraine

In February 2022, Russia launched a large-scale military invasion on Ukraine, marking a major escalation to a conflict that began in 2014. The Group and Company do not have any customers domiciled in such countries. Nevertheless, a strong economic downturn following the aggressive war by Russia on Ukraine can be noticed worldwide. High inflation and uncertainties are leading to banks and service providers stretching and postponing investments, resulting in a negative impact on the Group's growth.

Approved by the Board of Directors on 23 August 2022 and signed on its behalf by:



Mr. Mario Schembri
Chairman



Mr. Radi Abd El Haj
Director

Statements of Financial Position

As at 30 June

	Note	Group		Company	
		30.06.22	31.12.21	30.06.22	31.12.21
		Unaudited	Audited	Unaudited	Audited
		€	€	€	€
Assets					
Property, plant and equipment	8	8,434,457	9,222,060	7,635,121	7,733,728
Right-of-use assets		2,451,767	2,122,514	417,481	429,882
Intangible assets and goodwill	10	18,149,662	15,742,080	10,017,312	9,095,509
Investments in subsidiaries		-	-	5,106,242	17,942,984
Loans receivable		-	-	2,112,783	2,107,484
Finance lease receivable		76,522	97,702	-	-
Total non-current assets		29,112,408	27,184,356	25,288,939	37,309,587
Trade and other receivables		3,256,935	6,065,903	30,774,908	17,308,767
Finance lease receivable		114,764	56,440	-	-
Loans receivable		192,285	945,565	17,212	945,790
Prepayments		1,167,636	1,279,024	505,401	809,777
Accrued income and contract costs		3,527,422	3,776,538	5,416,700	6,148,870
Inventory		196,630	81,244	-	-
Cash at bank and in hand		7,041,174	8,217,898	2,691,841	1,260,672
Total current assets		15,496,846	20,422,612	39,406,062	26,473,876
Total assets		44,609,254	47,606,968	64,695,001	63,783,463

Statements of Financial Position (continued)

As at 30 June

	Note	Group		Company	
		30.06.22 Unaudited	31.12.21 Audited	30.06.22 Unaudited	31.12.21 Audited
		€	€	€	€
Equity					
Ordinary Share Capital		11,578,114	11,578,114	11,578,114	11,578,114
Preference Share Capital		539,376	539,376	539,376	539,376
Reserves		11,738,374	13,142,739	12,985,799	13,287,365
Retained earnings		5,138,737	4,959,161	24,732,986	22,840,874
Total equity attributable to equity holders of the Company		28,994,601	30,219,390	49,836,275	48,245,729
Non-controlling interest		(3,889,368)	(4,792,747)	-	-
Total equity		25,105,233	25,426,643	49,836,275	48,245,729
Liabilities					
Bank borrowings		870,080	1,124,000	870,081	1,124,000
Lease liabilities	9	2,053,110	1,771,163	412,616	434,944
Employee benefits		4,118,181	3,966,584	3,466,275	3,473,288
Deferred tax liability		2,934,686	2,387,540	2,256,388	1,698,403
Total non-current liabilities		9,976,057	9,249,287	7,005,360	6,730,635
Bank borrowings		504,710	497,942	504,710	497,942
Trade and other payables		1,492,421	1,895,735	1,291,826	1,419,710
Lease liabilities	9	454,797	410,767	16,095	15,868
Current tax payable		2,503,026	3,345,581	1,993,285	2,951,368
Accruals		2,736,191	3,455,711	2,049,376	1,508,055
Provisions		230,105	407,516	230,105	407,516
Employee benefits		-	1,350,784	-	-
Deferred income		1,606,714	1,567,002	1,767,969	2,006,640
Total current liabilities		9,527,964	12,931,038	7,853,366	8,807,099
Total liabilities		19,504,021	22,180,325	14,858,726	15,537,734
Total equity and liabilities		44,609,254	47,606,968	64,695,001	63,783,463

These financial statements were approved and authorised for issue by the Board of Directors on 23 August 2022 and signed on its behalf by:



Mr. Mario Schembri
Chairman



Mr. Radi Abd El Haj
Director

Statements of Profit or Loss

For the period ended 30 June

	Note	Group		Company	
		30.06.22 Unaudited	30.06.21 Unaudited	30.06.22 Unaudited	30.06.21 Unaudited
		€	€	€	€
Revenue	7	18,778,675	18,340,595	11,548,717	12,140,290
Cost of sales		(12,233,914)	(9,874,930)	(7,175,663)	(6,791,959)
Gross profit		6,544,761	8,465,665	4,373,054	5,348,331
Other income		301,343	309,523	10,619	39,300
Marketing and promotional expenses		(830,359)	(249,518)	(311,743)	(278,924)
Administrative expenses		(5,281,372)	(4,814,315)	(2,319,828)	(2,677,932)
Other expenses		(7,666)	(13,767)	(4,829)	-
Exchange gain on operating activities		2,126,606	26,294	953,739	174,670
Impairment (loss)/gain on trade receivables and contract assets		(323,413)	-	51,760	-
Provision for legal claims and related expenses		177,391	(947,226)	177,391	(449,444)
Results from operating activities		2,707,291	2,776,656	2,930,163	2,156,001
Finance income		21,598	149,707	31,385	106,072
Finance costs		(34,823)	(157,477)	(27,763)	(134,693)
Net finance (costs)/income		(13,225)	(7,770)	3,622	(28,621)
Profit before income tax		2,694,066	2,768,886	2,933,785	2,127,380
Income tax expense		(1,232,905)	(1,542,431)	(1,095,286)	(1,281,185)
Profit for the period		1,461,161	1,226,455	1,838,499	846,195

Statements of Comprehensive Income

For the period ended 30 June

	Group		Company	
	30.06.22	30.06.21	30.06.22	30.06.21
	Unaudited	Unaudited	Unaudited	Unaudited
	€	€	€	€
Profit for the period	1,461,161	1,226,455	1,838,499	846,195
Other comprehensive income				
<i>Items that are or may be reclassified to profit or loss</i>				
Foreign currency translation differences on foreign operations	(594,279)	(169,443)	-	-
<i>Items that will not be reclassified to profit or loss</i>				
Remeasurement in net defined benefit liability	7,047	53,325	7,047	61,324
Total comprehensive income	873,929	1,110,337	1,845,546	907,519
Profit attributable to:				
Owners of the Company	1,597,416	1,091,470	1,838,499	846,195
Non-controlling interest	(136,255)	134,985	-	-
Profit for the period	1,461,161	1,226,455	1,838,499	846,195
Total comprehensive income attributable to:				
Owners of the Company	1,221,553	1,162,874	1,845,546	907,519
Non-controlling interest	(347,624)	(52,537)	-	-
Total comprehensive income for the period	873,929	1,110,337	1,845,546	907,519
Earnings per ordinary share	€0.0079	€0.0056	€0.0091	€0.0043
Earnings per preference share	€0.0087	€0.0061	€0.0100	€0.0047

Statements of Changes in Equity

As at 30 June 2021

GROUP

	Attributable to equity holders of the Company												
	Share capital €	Preference Share Capital €	Other Equity €	Share premium €	Translation reserve €	Fair value reserve €	Employee benefits reserve €	Other reserves €	Share option reserve €	Retained earnings €	Total €	Non-controlling interest €	Total equity €
Balance at 1 January 2021	11,578,114	-	(136,556)	1,077	(221,068)	77,227	(1,752,978)	255,000	77,263	1,837,307	11,715,386	(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
Foreign currency translation differences	-	-	-	-	18,056	-	-	-	-	-	18,056	(187,499)	(169,443)
Remeasurement in net defined benefit liability	-	-	-	-	-	-	53,325	-	-	-	53,325	-	53,325
Total other comprehensive income/(loss) for the period	-	-	-	-	18,056	-	53,325	-	-	-	71,381	(187,499)	(116,118)
Total comprehensive income/(loss) 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	-	15,192,424	-	-	-	-	-	-	15,731,800	-	15,731,800
Share options exercised	-	-	-	-	-	-	-	-	(47,299)	47,299	-	-	-
Share Issuance costs	-	(356,443)	-	-	-	-	-	-	-	-	(356,443)	-	(356,443)
Reclassification of preference shares issuance costs	-	(136,556)	136,556	-	-	-	-	-	-	-	-	-	-
	-	46,377	136,556	15,192,424	-	-	-	-	(47,299)	47,299	15,375,357	-	15,375,357
Balance at 30 June 2021	11,578,114	46,377	-	15,193,501	(203,012)	77,227	(1,699,653)	255,000	29,964	2,976,076	28,253,594	(4,697,790)	23,555,804

Statements of Changes in Equity (continued)

As at 30 June 2022

GROUP

	Attributable to equity holders of the Company												
	Share capital €	Preference Share Capital €	Other Equity €	Share premium €	Translation reserve €	Fair value reserve €	Employee benefits reserve €	Other reserves €	Share option reserve €	Retained earnings €	Total €	Non-controlling interest €	Total equity €
Balance at 1 January 2022	11,578,114	47,766	-	15,193,501	(167,601)	-	(1,700,164)	255,000	53,613	4,959,161	30,219,390	(4,792,747)	25,426,643
Comprehensive income for the period													
Profit for the period	-	-	-	-	-	-	-	-	-	1,597,416	1,597,416	(136,255)	1,461,161
Other comprehensive income													
Foreign currency translation differences	-	-	-	-	(382,914)	-	-	-	-	-	(382,914)	(211,365)	(594,279)
Remeasurement in net defined benefit liability	-	-	-	-	-	-	7,047	-	-	-	7,047	-	7,047
Total other comprehensive (loss)/income for the period	-	-	-	-	(382,914)	-	7,047	-	-	-	(375,867)	(211,365)	(587,232)
Total comprehensive (loss)/income for the period	-	-	-	-	(382,914)	-	7,047	-	-	1,597,416	1,221,549	(347,620)	873,929
Transactions recorded directly in equity													
Share-based payments	-	-	-	-	-	-	-	(255,000)	-	-	(255,000)	-	(255,000)
	-	-	-	-	-	-	-	(255,000)	-	-	(255,000)	-	(255,000)
Transactions with owners of the Company													
Share options exercised	-	-	-	-	-	-	-	-	(53,613)	53,613	-	-	-
Changes in ownership interests													
Transactions with non-controlling interests	-	-	-	-	-	-	-	(719,885)	-	(1,471,453)	(2,191,338)	1,250,999	(940,339)
Balance at 30 June 2022	11,578,114	47,766	-	15,193,501	(550,515)	-	(1,693,117)	(719,885)	-	5,138,737	28,994,601	(3,889,368)	25,105,233

Statements of Changes in Equity (continued)

As at 30 June 2021

COMPANY

	Share capital €	Preference Share Capital €	Other Equity €	Share premium €	Fair value reserve €	Other reserves €	Share option reserve €	Employee benefits reserve €	Retained earnings €	Total €
Balance at 1 January 2021	11,578,114	-	(136,556)	1,077	77,227	255,000	77,263	(1,769,458)	19,215,770	29,298,437
Comprehensive income for the period										
Profit for the period	-	-	-	-	-	-	-	-	846,195	846,195
Other comprehensive income										
Remeasurement in net defined benefit liability	-	-	-	-	-	-	-	46,830	-	46,830
Total other comprehensive income for the period	-	-	-	-	-	-	-	46,830	-	46,830
Total comprehensive income for the period	-	-	-	-	-	-	-	46,830	846,195	893,025
Transactions with owners of the Company										
Preference Share issue	-	539,376	-	15,192,424	-	-	-	-	-	15,731,800
Share options exercised	-	-	-	-	-	-	(47,299)	-	47,299	-
Share Issuance Costs	-	(356,443)	-	-	-	-	-	-	-	(356,443)
Reclassification of preference shares issuance costs	-	(136,556)	136,556	-	-	-	-	-	-	-
Balance at 30 June 2021	11,578,114	46,377	-	15,193,501	77,227	255,000	29,964	(1,722,628)	20,109,264	45,566,819

Statements of Changes in Equity (continued)

As at 30 June 2022

COMPANY

	Share capital €	Preference Share Capital €	Other Equity €	Share premium €	Fair value reserve €	Other reserves €	Share option reserve €	Employee benefits reserve €	Retained earnings €	Total €
Balance at 1 January 2022	11,578,114	47,766	-	15,193,501	-	255,000	53,613	(1,723,139)	22,840,874	48,245,729
Comprehensive income for the period										
Profit for the period	-	-	-	-	-	-	-	-	1,838,499	1,838,499
Other comprehensive income										
Remeasurement in net defined benefit liability	-	-	-	-	-	-	-	7,047	-	7,047
Total other comprehensive income for the period	-	-	-	-	-	-	-	7,047	-	7,047
Total comprehensive income for the period	-	-	-	-	-	-	-	7,047	1,838,499	1,845,546
Transactions recorded directly in equity										
Share-based payments	-	-	-	-	-	(255,000)	-	-	-	(255,000)
	-	-	-	-	-	(255,000)	-	-	-	(255,000)
Transactions with owners of the Company										
Share options exercised	-	-	-	-	-	-	(53,613)	-	53,613	-
	-	-	-	-	-	-	(53,613)	-	53,613	-
Balance at 30 June 2022	11,578,114	47,766	-	15,193,501	-	-	-	(1,716,092)	24,732,986	49,836,275

Statements of Cash Flows

For the period ended 30 June

	Group		Company	
	30.06.22	30.06.21	30.06.22	30.06.21
	Unaudited	Unaudited	Unaudited	Unaudited
	€	€	€	€
Cash flows from operating activities				
Profit for the period	1,461,161	1,226,455	1,838,499	846,195
Adjustments for:				
Depreciation	521,446	582,142	136,783	165,944
Amortisation of intangible assets	923,378	520,743	657,559	508,319
Provision for expected credit losses	296,394	-	(51,760)	-
Provision for impairment loss on receivables	27,019	-	-	-
Interest payable	49,766	153,339	26,979	131,000
Interest receivable	(21,598)	(18,908)	(31,385)	(34,600)
Provisions	(177,391)	947,226	(177,391)	449,444
Unwinding of discount on post-employment benefits	(34)	43	(34)	43
Post-employment benefit written off/settled during the year	(1,253,443)	-	-	-
Unwinding of discount on deposit	608	-	-	-
Employee share benefits	-	18,897	-	-
Income tax	1,232,905	1,542,431	1,095,286	1,281,185
Provision for exchange fluctuations	(2,094,497)	(442,356)	(918,362)	(373,934)
Movement in other reserves	(255,000)	-	(255,000)	-
Disposal of investment in subsidiary	-	296,205	-	296,205
	710,714	4,826,217	2,321,174	3,269,801
Change in trade and other receivables	2,810,055	909,215	1,112,547	(150,019)
Change in trade and other payables	1,046,730	(2,669,045)	598,960	589,916
Change in other related parties' balance	-	-	(242,178)	(4,655,501)
Inventories	(115,386)	(36,332)	-	-
Cash generated from/(used in) operating activities	4,452,113	3,030,055	3,790,503	(945,803)
Interest paid	(8,521)	(124,470)	(20,671)	(124,470)
Interest paid on lease liabilities	(29,325)	(29,065)	(6,310)	(6,530)
Interest received	15	29	12,157	28,712
Income taxes paid	(1,495,383)	(651,190)	(1,495,383)	(651,190)
Net cash generated from/(used in) operating activities	2,918,899	2,225,359	2,280,296	(1,699,281)
Cash flows from investing activities				
Acquisition of property, plant and equipment	(108,619)	(784,714)	(25,776)	(52,628)
Acquisition of right-of-use assets	-	(52,331)	-	-
Acquisition of intangible assets	(189,038)	(11,900)	-	-
Capitalised development costs	(3,654,243)	(2,094,795)	(1,579,362)	(1,014,822)
Investment in subsidiaries	-	-	-	174,214
Advances to subsidiaries	-	-	(3,231,463)	(3,349,011)
Repayment of advances from subsidiaries	-	-	4,257,561	2,673,264
Net cash used in investing activities	(3,951,900)	(2,943,740)	(579,040)	(1,568,983)

Statements of Cash Flows (continued)

For the period ended 30 June

	Group		Company	
	30.06.22	30.06.21	30.06.22	30.06.21
	Unaudited	Unaudited	Unaudited	Unaudited
	€	€	€	€
Cash flows from financing activities				
Proceeds from issue of preference share capital	-	15,430,817	-	15,430,817
Repayments of bank borrowings	(247,162)	(240,476)	(247,162)	(240,476)
Repayment of lease liability	(245,108)	(166,660)	(22,100)	(21,879)
Payments of preference share issue costs	-	(55,459)	-	(55,459)
Net cash (used in)/generated from financing activities	(492,270)	14,968,222	(269,262)	15,113,003
Net movement in cash and cash equivalents	(1,525,271)	14,249,841	1,431,994	11,844,739
Cash and cash equivalents at 1 January	8,217,856	(2,834,957)	1,260,630	(8,117,145)
Effect of exchange rate fluctuations on cash held	348,589	230,425	(783)	985
Cash and cash equivalents at 30 June	7,041,174	11,645,309	2,691,841	3,728,579

Notes to the financial statements

1 Reporting entity

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

The condensed interim financial statements of the Company as at the end and for the period ended 30 June 2022 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 2021.

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 2021. A number of amendments to existing standards are effective from 1 January 2022 however, both the Group and 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. 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

30 June 2022	Software (Licensing) Solutions Unaudited €	Processing Solutions Unaudited €	Merchant Solutions Unaudited €	Total Unaudited €
External revenues	7,795,060	9,815,866	1,167,749	18,778,675
Inter-segment revenues	5,296,090	41,803	275,426	5,613,319
Segment Revenues	<u>13,091,150</u>	<u>9,857,669</u>	<u>1,443,175</u>	<u>24,391,994</u>
Reportable segment profit/ (loss) before income tax	<u>3,206,386</u>	<u>(23,566)</u>	<u>(532,844)</u>	<u>2,649,976</u>
30 June 2021	Software (Licensing) Solutions Unaudited €	Processing Solutions Unaudited €	Merchant Solutions Unaudited €	Total Unaudited €
External revenues	8,795,116	8,646,775	898,704	18,340,595
Inter-segment revenues	5,777,313	-	127,734	5,905,047
Segment Revenues	<u>14,572,429</u>	<u>8,646,775</u>	<u>1,026,438</u>	<u>24,245,642</u>
Reportable segment profit/ (loss) before income tax	<u>2,530,885</u>	<u>768,954</u>	<u>(573,951)</u>	<u>2,725,888</u>

6 Segment reporting (continued)

6.2 Reconciliation of reportable segment revenue and profit and loss

	30.06.22 Unaudited €	30.06.21 Unaudited €
External revenues		
Total revenue for reportable segments	24,391,994	22,923,734
Elimination of inter-segment transactions	(5,613,319)	(4,583,139)
Consolidated revenues	<u>18,778,675</u>	<u>18,340,595</u>
Profit before income tax		
Total profit before income tax for reportable segments	2,649,976	2,725,888
Elimination of inter-segment transactions	44,090	42,998
Consolidated reportable segment profit before income tax	<u>2,694,066</u>	<u>2,768,886</u>

7 Revenue

The Group's operations and main revenue streams are those described in the last annual financial statements.

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 tables, revenue is disaggregated by category of activity, geographical market and timing of revenue recognition. The tables also include a reconciliation of the disaggregated revenue with the Group's reportable segments.

Category of activity

30 June 2022	Software (Licensing) Solutions Unaudited €	Processing Solutions Unaudited €	Merchant Solutions Unaudited €	Total Unaudited €
Licence fees excluding customisation	2,675,595	-	-	2,675,595
Service fees, transaction processing and customisation	3,253,177	7,952,922	-	11,206,099
Maintenance fees	1,509,288	141,068	-	1,650,356
Comprehensive packages	357,000	1,721,876	-	2,078,876
Operating lease revenue	-	-	21,753	21,753
Acquiring Revenue	-	-	1,145,996	1,145,996
	<u>7,795,060</u>	<u>9,815,866</u>	<u>1,167,749</u>	<u>18,778,675</u>

30 June 2021

	Software (Licensing) Solutions Unaudited €	Processing Solutions Unaudited €	Merchant Solutions Unaudited €	Total Unaudited €
Licence fees excluding customisation	2,439,003	-	-	2,439,003
Service fees, transaction processing and customisation	4,425,737	8,617,350	867,676	13,910,763
Maintenance fees	1,573,376	29,425	12,827	1,615,628
Comprehensive packages	357,000	-	-	357,000
Operating lease revenue	-	-	18,201	18,201
	<u>8,795,116</u>	<u>8,646,775</u>	<u>898,704</u>	<u>18,340,595</u>

7 Revenue (continued)

7.1 Disaggregation of revenue (continued)

Geographical markets

30 June 2022	Software (Licensing) Solutions Unaudited €	Processing Solutions Unaudited €	Merchant Solutions Unaudited €	Total Unaudited €
Europe	4,880,535	2,637,498	1,167,749	8,685,782
Middle East	197,875	69,563	-	267,438
North America	2,515,107	5,340,276	-	7,855,383
South America	-	934,707	-	934,707
Asia	201,543	833,822	-	1,035,365
	7,795,060	9,815,866	1,167,749	18,778,675

30 June 2021	Software (Licensing) Solutions Unaudited €	Processing Solutions Unaudited €	Merchant Solutions Unaudited €	Total Unaudited €
Europe	6,007,798	1,636,062	898,704	8,542,564
Middle East	327,725	22,017	-	349,742
North America	2,281,503	5,892,863	-	8,174,366
South America	-	320,410	-	320,410
Asia	178,090	775,423	-	953,513
	8,795,116	8,646,775	898,704	18,340,595

7.2 Contract balances

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

	Group		Company	
	30.06.22 Unaudited €	31.12.21 Audited €	30.06.22 Unaudited €	31.12.21 Audited €
Receivables, which are included in 'Trade and other receivables'	3,256,935	6,065,903	30,774,908	17,308,767
Contract assets	3,527,422	3,776,538	5,416,700	6,148,870
Contract liabilities	(1,606,714)	(1,567,002)	(1,761,269)	(1,902,012)

The contract assets primarily relate to the Group's right 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 advanced consideration received from customers, for which the revenue recognition criteria are not yet met.

7 Revenue (continued)

7.3 Future revenue

The following tables include revenue expected to be recognised in the future, related to performance obligations that were unsatisfied (or partially unsatisfied) at 30 June 2022.

30 June 2022

	Group			Total Unaudited €
	Within one year Unaudited €	After one year Unaudited €	After two years and beyond Unaudited €	
Licence fees	17,860	-	780,000	797,860
Services fees	1,486,923	1,104,884	197,694	2,789,501

	Company			Total Unaudited €
	Within one year Unaudited €	After one year Unaudited €	After two years and beyond Unaudited €	
Licence fees	17,860	-	300,000	317,860
Services fees	4,869	-	125,000	129,869

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

30 June 2021

	Group			Total Unaudited €
	Within one year Unaudited €	After one year Unaudited €	After two years and beyond Unaudited €	
Licence fees	19,758	-	300,000	319,758
Services fees	430,366	44,148	391,820	866,334

	Company			Total Unaudited €
	Within one year Unaudited €	After one year Unaudited €	After two years and beyond Unaudited €	
Licence fees	19,758	-	780,000	799,758
Services fees	5,899	-	173,000	178,899

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 period ended 30 June 2022, the Group acquired assets with a cost of €0.2m (2021: €0.9m) and disposed of an asset with a cost of €9k (2021: no disposal of assets). During the same period, a reclassification from tangible assets to intangible assets amounting to €0.7m (2021: nil) was recognised.

9 Leases

9.1 The Group as a lessee

The Group has active leases for office premises in 5 different locations as well as and company cars. Details about these lease agreements are included within the Group's consolidated financial statements as at and for the year ended 31 December 2021.

A new agreement for leased offices in Neu-Isenburg, Germany was entered into for a ten-year term, lasting until December 2032. No other changes to the lease agreements referred to above and disclosed in the 2021 annual report took place during the period ended 30 June 2022.

The following table presents the carrying amounts of the Group and Company's Right of Use (ROU) assets recognised, together with the movements during the period:

Group	Land and buildings Audited €	Cars Audited €	Total Audited €
As at 1 January 2021	2,161,779	83,403	2,245,182
Additions from acquisitions	221,821	87,294	309,115
Depreciation charge for the year	(371,179)	(61,729)	(432,908)
Effects of movement in exchange rates	1,125	-	1,125
As at 31 December 2021	2,013,546	108,968	2,122,514

	Land and buildings Unaudited €	Cars Unaudited €	Total Unaudited €
As at 1 January 2022	2,013,546	108,968	2,122,514
Additions to right-of-use assets	554,859	-	554,859
Depreciation charge for the period	(205,160)	(35,219)	(240,379)
Effects of movement in exchange rates	14,773	-	14,773
As at 30 June 2022	2,378,018	73,749	2,451,767

9 Leases (continued)

9.1 The Group as a lessee (continued)

Company	Land and buildings Audited €	Total Audited €
As at 1 January 2021	460,542	460,542
Depreciation charge for the year	(30,660)	(30,660)
Additions to right-of-use assets	-	-
As at 31 December 2021	429,882	429,882
	Land and buildings Unaudited €	Total Unaudited €
As at 1 January 2022	429,882	429,882
Depreciation charge for the period	(12,401)	(12,401)
As at 30 June 2022	417,481	417,481

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

Group	Land and buildings Audited €	Cars Audited €	Total Audited €
As at 1 January 2021	2,193,822	84,024	2,277,846
Additions	221,831	68,794	290,625
Accretion of interest	54,963	2,509	57,472
Payments	(387,945)	(61,530)	(449,475)
Effects of movement in exchange rates	5,462	-	5,462
As at 31 December 2021	2,088,133	93,797	2,181,930
	Land and buildings Unaudited €	Cars Unaudited €	Total Unaudited €
As at 1 January 2022	2,088,133	93,797	2,181,930
Additions	554,859	-	554,859
Accretion of interest	28,207	891	29,098
Payments	(240,988)	(33,445)	(274,433)
Effects of movement in exchange rates	16,453	-	16,453
As at 30 June 2022	2,446,664	61,243	2,507,907

9 Leases (continued)

9.1 The Group as a lessee (continued)

Company	Land and buildings Audited €	Total Audited €
As at 1 January 2021	466,237	466,237
Accretion of interest	12,988	12,988
Payments	(28,413)	(28,413)
As at 31 December 2021	450,812	450,812

	Land and buildings Unaudited €	Total Unaudited €
As at 1 January 2022	450,812	450,812
Accretion of interest	6,309	6,309
Payments	(28,410)	(28,410)
As at 30 June 2022	428,711	428,711

	Group		Company	
	30.06.22	31.12.21	30.06.22	31.12.21
	Unaudited	Audited	Unaudited	Audited
	€	€	€	€
Non-current	2,053,110	1,771,163	412,616	434,944
Current	454,797	410,767	16,095	15,868

The following are the amounts recognised in profit or loss:

	Group		Company	
	30.06.22	30.06.21	30.06.22	30.06.21
	Unaudited	Unaudited	Unaudited	Unaudited
	€	€	€	€
Depreciation expense	240,379	230,694	12,401	18,258
Interest expense on lease liabilities	29,098	28,867	6,309	6,526
Expenses relating to short-term leases	58,689	-	-	-
Total amount recognised in profit or loss	328,166	259,561	18,710	24,784

The variable lease payments with respect to the leases on cars held by the Group were not material as at 30 June 2022 and 2021.

No variable lease payments exist as at 30 June 2022 and 2021 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 2022 and 2021.

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 held in Germany, as disclosed within the Group's consolidated financial statements as at and for the year ended 31 December 2021.

Maturity analysis of operating lease receipts:

Group	30.06.22 Unaudited €	30.06.21 Unaudited €
Within 1 year	5,119	9,933
Between 1 and 2 years	1,557	1,073
Total	6,676	11,006

Group	30.06.22 Unaudited €	31.12.21 Audited €
Additions on business combination on 1 January	154,142	130,514
Additions during the period / year	68,728	68,764
Release of receivables during the period / year	(46,282)	(73,017)
Unwinding of interest	14,698	27,881
Balance at period end / year end	191,286	154,142

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

Group	30.06.22 Unaudited €	31.12.21 Audited €
Amounts receivable under finance leases:		
Within 1 year	96,202	82,735
Between 1 and 2 years	140,337	65,907
Between 2 and 3 years	90,089	50,626
Between 3 and 4 years	-	45,312
Undiscounted lease payments	326,628	244,580
Less unearned finance income	(135,342)	(90,438)
Present value of lease payments receivable	191,286	154,142
Impairment loss allowance	-	-
Net investment in the lease	191,286	154,142
Undiscounted lease payments analysed as:		
Recoverable within 12 months	96,202	82,735
Recoverable after 12 months	230,426	161,845
	326,628	244,580
Net investment in the lease analysed as:		
Recoverable within 12 months	114,764	56,440
Recoverable after 12 months	76,522	97,702
	191,286	154,142

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

Group	30.06.22 Unaudited €	30.06.21 Unaudited €
Finance income on the net investment in finance leases	14,698	13,014

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

None of the finance lease receivables at the end of the reporting period are deemed past due. Taking into account the historical default experience and the future prospects of the industries in which the lessees operate, management do not deem any finance lease receivable as impaired.

10 Intangible assets and goodwill

During the period ended 30 June 2022, the Group and Company capitalised expenditure on the development of computer software amounting to €2.02m and €1.58m respectively (30 June 2021: €2.09m and €1.01m respectively).

Intangible assets as at 30 June 2022 also include goodwill amounting to €1.26m (31 December 2021: €1.92m).

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 are made up of bank borrowings, which have been categorised as Level 2 of the fair value hierarchy.

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.

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

11.1 Measurement of fair values (continued)

Finance lease receivables

The fair value of the finance lease receivables are classified as Level 2 and 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 and Company's current financial instruments are a reasonable approximation of their fair values in view of their short-term maturities.

The Group 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 nor from Level 1 to Level 2 during the period ended 30 June 2022 and likewise for 2021.

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:

	Group	Company
	Unaudited	Unaudited
	€	€
Balance at 1 January 2021	1,282,346	43,000
Net remeasurement of loss allowance	454,737	454,660
Balance at 30 June 2021	1,737,083	497,660
Balance at 1 January 2022	456,947	175,416
Net remeasurement of loss allowance	323,606	(51,760)
Balance at 30 June 2022	780,553	123,656

The movement in loss allowance is mainly attributable to the total movement in the gross carrying amounts of trade receivables and contract assets. The methodology for the calculation of such loss allowance (Expected Credit Loss, or, 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 2021, the Group and Company had the following transactions with related parties:

	Group		Company	
	30.06.22	30.06.21	30.06.22	30.06.21
	Unaudited	Unaudited	Unaudited	Unaudited
	€	€	€	€
Parent company				
Interest charged to	3,704	5,213	3,704	5,213
Subsidiaries				
Support services provided to			6,529,024	6,545,536
Support services provided by			1,958,572	1,978,877
Recharge of salaries to			-	114,541
Recharge of overheads to			305,785	76,462
Recharge of salaries by			341,518	108,000
Other related entities				
Depreciation charge on right-of-use asset	23,119	86,000	-	-
Interest expense on lease liability	3,559	10,695	-	-
Legal and administrative services provided by	117,902	169,500	77,510	145,360
Support services provided to	1,852,313	2,223,018	1,852,313	2,223,018
Support services not yet invoiced provided to	185,827	487,528	185,827	487,528

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

12.2 Related party balances

	Group		Company	
	30.06.22	30.06.21	30.06.22	30.06.21
	Unaudited	Unaudited	Unaudited	Unaudited
	€	€	€	€
Amounts receivable				
Amounts owed by parent company	203	802,047	203	802,047
Amounts owed by subsidiary companies	-	-	14,753,448	15,879,124
Amounts owed by other related entities	138,643	1,258	138,643	1,258
Amounts payable				
Trade payables due to subsidiary companies	-	-	588,723	431,491
Trade payables due to other related parties	12,520	2,080	12,520	2,080

13 Comparative Information

Comparative information disclosed in the main components of these financial statements have been reclassified to conform with the current year's disclosure format for the purpose of compliance with International Financial Reporting Standards, and the requirements of the Maltese Companies Act (Cap. 386).

In the Statement of Comprehensive Income of the Company, an amount of €26,470 was reclassified from "Provisions for legal claims and related expenses" to "Other income". Moreover, amounts of €311,557 and €302,462 for the Group and Company respectively, were reclassified from "Other Income" to "Exchange gain on operating activities", whereas negative amounts of (€285,263) and (€127,792) for the Group and Company respectively, were reclassified from "Other Expenses" to "Exchange gain on operating activities".

	Group		Company	
	(restated)	(as reported)	(restated)	(as reported)
	30.06.21	30.06.21	30.06.21	30.06.21
	Unaudited	Unaudited	Unaudited	Unaudited
	€	€	€	€
Other income	309,523	621,080	39,300	315,292
Other expenses	(13,767)	(299,030)	-	(127,792)
Exchange gain on operating activities	26,294	-	174,670	-

In the Statement of Cash Flows, a negative amount of (€15,830) for the Group and (€6,530) for the Company, were reclassified from "Interest Paid" to "Interest paid on lease liabilities". Moreover, a negative amount of (€13,235) for the Group was reclassified from "Repayment of lease liability" to "Interest paid on lease liabilities", whereas a negative amount of (€21,879) for the Company, was reclassified from "Change in trade and other payables" to "Repayment of lease liability".

	Group		Company	
	(restated)	(as reported)	(restated)	(as reported)
	30.06.21	30.06.21	30.06.21	30.06.21
	Unaudited	Unaudited	Unaudited	Unaudited
	€	€	€	€
Cash flows from operating activities				
Change in trade and other payables			589,916	568,037
Interest paid	(124,470)	(140,300)	(124,470)	(131,000)
Interest paid on lease liabilities	(29,065)	-	(6,530)	-
Cash flows from financing activities				
Repayment of lease liability	(166,660)	(179,895)	(21,879)	-

13 Comparative Information (continued)

In Note 12 "Related Parties", the Company showed an amount of €431,491 as "Trade payables due to other related parties". This was reclassified to "Trade payables due to subsidiary companies".

	Company (restated)	(as reported)
	30.06.21	30.06.21
	Unaudited	Unaudited
	€	€
Amounts payable		
Trade payables due to subsidiary companies	431,491	-
Trade payables due to other related parties	2,080	433,571

**Statement pursuant to Capital Market Rule 5.75.3 issued by the
Malta Financial Services Authority**

We confirm that to the best of our knowledge:

- the condensed interim financial statements which have been prepared in accordance 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 and Company as at 30 June 2022, as well as the financial performance and cash flows for the period ended 30 June 2022; and
- the interim Directors' report includes a fair review of the information required in terms of Capital Market Rules 5.81 to 5.84.



Mr. Mario Schembri
Chairman



Mr. Radi Abd El Haj
Director