



**RS2 Software p.l.c.  
COMPANY ANNOUNCEMENT**

The following is a company announcement issued by RS2 Software p.l.c. pursuant to the Malta Financial Services Listing Authority Rules – Chapter 5.

**Quote**

At the meeting held on 26th August 2020, the Board of Directors of RS2 Software p.l.c. approved the interim financial statements for the period ended 30 June 2020. A copy of the interim financial statements is attached to this announcement.

The 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 'Ivan Gatt', with a horizontal line underneath.

**Dr Ivan Gatt  
Company Secretary  
27th August 2020**



## Interim Financial Statements

For the six months ended  
30 June 2020

Company Registration Number: C 25829

# RS2 Software p.l.c.

## Condensed Interim Financial Statements

For the six months ended 30 June 2020

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# RS2 Software p.l.c.

## Directors' Report

For the six months ended 30 June 2020

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*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 2020 and its comparative period in 2019. The comparative statement of financial position has been extracted from the audited financial statements as at 31 December 2019. 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**

RS2 Group is Malta's only organisation in the global payments industry having also a strong international presence and enjoying the respect of top league banks, as well as a number of the largest payment processors and payment service providers (PSPs) worldwide. The Group is principally engaged in the development, installation, implementation, and marketing of its proprietary specialised cloud software for global financial institutions, under the trademark of BankWORKS®, through which it provides highly secure and scalable high-performing payment platform with a processing capability in excess of 80 million clearing transactions per hour and more than 8,600 authorisations per second. The strategic focus of the Group remains that of building the solid framework towards being the global company of choice in the payments industry.

With operational offices in Europe, Asia Pacific (APAC), North America and the Middle East, the Group is providing customers in these continents with various services related to bespoke development on the RS2 Platform to meet customers' local requirements, implementation and consultancy services and processing.

The Group's reportable business segments can be broadly categorised under Software Development and Implementation Services (Licensing), Managed Services, and Other Segments (Point-of-Sale (POS) services, Acquiring, and Financial Services). Software Development and Licensing remain the core business of RS2 Software p.l.c. supported by its subsidiaries in APAC, Latin America (LATAM) and Europe, while Managed Services are the competence and focus of the two subsidiaries, RS2 Smart Processing Ltd., servicing customers in Europe, Middle East, APAC, and LATAM, and RS2 Software INC., the Group's US arm servicing mainly clients in North America. 'Other Segments' are core to the newly founded RS2 Financial Services GmbH and Kalicom Zahlungssysteme GmbH respectively. The integration of Kalicom Zahlungssysteme GmbH is under way and should be closed in October, including the rebranding of the company to RS2 Zahlungssysteme GmbH.

# RS2 Software p.l.c.

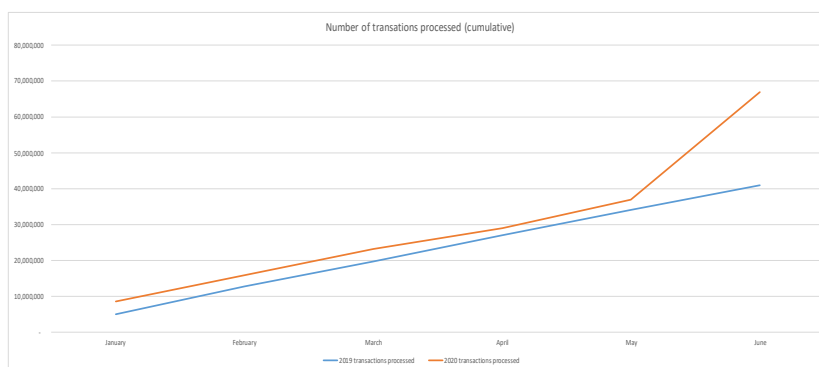
## Directors' Report

For the six months ended 30 June 2020

### Trading Performance

RS2 Software p.l.c. continues to service the demand of its current licensed clients and continues delivering the platform enhancements required by RS2 Smart Processing Ltd. to service their Managed Services clients. We have noted a decrease in momentum during the beginning of the COVID-19 pandemic, which momentum eventually started to return to its normal levels during the second quarter of the year. The time lost during the lockdown effectively compels the Company to now deliver thousands of man-days in services and new functionalities by the end of the year where some of that business was not previously expected in 2020. While up to mid-year we are in line with our COVID-19 revised estimates, which amongst other things required a change in logistics to service our clients without being physically onsite, these new expected revenue streams will ensure that the Group's targets for the year are met and possibly exceeded. Following the COVID-19 global crisis, RS2, as a service provider, triggered its Business Continuity Plan (BCP) to continue providing its services with no impact or interruption to business. The Group has sufficient cash to meet all present and future obligations to continue the implementation of its strategy.

Through the Group's recent investments in quality relationships with new premium clients, the Group has increased the volumes of transactions processed on its platform in the first six months when compared to those processed in 2019. This increase is expected to progress with the gradual increase from the current client and the onboarding of other new clients.



When looking at a consolidation level, the Group has registered total revenues of €10.8m compared to the first half of last year's €11.2m. During the pandemic, the Group experienced an increase in productivity and delivery of services to our clients and partners through its applied technology culture BCP that included a seamless switchover to home-working which will be reflected in the second half of the year.

The Group has always been focused on implementing a long-term strategy that serves it to the mid- and long-term in order to be efficient in utilising its presence internationally in order to setup a Global Operation. The Group is investing in implementing a Global Operation Centre that will include staff from all regions where the Group has presence in order to deliver services covering all time zones and to provide services during any clients' working hours ensuring state-of-the-art services provided. This Global Operation Centre will be covering Europe, the US, LATAM and APAC.

The Global Operation Centre will be servicing all the Group's business activities related to software delivery, processing services and merchant acquiring, which in the mid- to long-term will provide substantial saving by eliminating the need to have separate operation centres for the various business lines.

# RS2 Software p.l.c.

## Directors' Report

For the six months ended 30 June 2020

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During the first six months of 2020, the Group continued to invest in human resources to support the framework of its new 'Acquiring' business line in conjunction with the process undertaken to obtain its Financial Licence through BAFIN, the German financial regulator. This stream requires a different set of skills and talent to manage such business lines.

With the Group's growth in diversifying its business lines, Cost of Sales increased by 33% when compared to 2019. This allows the sustainability of the business and regional growth expansion as envisaged in the Group's strategic plans. Marketing expenses have decreased by 23% when compared to the same period in 2019, mainly as a result of a decrease in travel and participation in fairs.

Performance in the first six months of 2020 has been very much in line with the Group's COVID-19 adjusted budgets for the year. During this time of investment, the Group's EBITDA amounted to a negative €2.0 million and the Statement of Financial Position shows a net current liability position of €4.8m. This is in line with the Group's projections for the period and is expected to revert to positive values in future periods when the Group reaps benefits from its current investment. Included in the line item Intangible Assets and Goodwill is the capitalised development cost net of amortisation and BankWORKS®. BankWORKS® is RS2 Software p.l.c.'s proprietary platform which has been built in-house and therefore does not represent its true value to the Group – the potential and capacity of the software in terms of future revenues being generated far outweigh the actual value given on the Statement of Financial Position.

### **Business Outlook and Developments**

This half year was characterised by the Great Lockdown that was the consequence of the COVID-19 pandemic which had far-reaching social, economic, and geo-political negative impacts globally. The Group's response to this was based on an agile management culture, leveraged by a technology-based culture and preparedness, to seamlessly switch over to home productivity with minimal disruption. However, this cannot be said for all customers who had varying consequences from the pandemic affecting their availability and propensity to keep discussions and projects as their topmost priority in the circumstances.

Notwithstanding the above, RS2 Smart Processing Ltd. continues to increase the efficiency of its business operation by automating and digitalising its processes internally and externally for its customers, providing a large set of application programming interface (APIs) to consolidate and reconcile clients' business. Management is confident that operational targets will be achieved. Meanwhile, it is worth noting that in Q3 2020, a leading NYSE listed bank ranking among the global top ten banks by total assets and Tier-1 capital, was onboarded under a managed service agreement and has now started generating revenues to the company. This allows the Group to continue on track to hit the 1 billion transaction mark by year 2021 – this is in addition to the large acquirers being onboarded and the volume that will be ramping up in 2021. Other significant businesses are expected to start processing large volumes in Q4 2020.

# RS2 Software p.l.c.

## Directors' Report

For the six months ended 30 June 2020

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The Company will continue to expand its offering to other regions and will be investing in sales talent and technical human resources to continue adding value to its product by enhancing its alerting system and automating its transactions processing and reporting digital merchant and cardholders' process flows while undergoing the research and development to enhance the data warehousing capability that will be empowered by an artificial intelligence (AI) engine. RS2 Smart Processing Ltd. continues to implement its healthy pipeline after embarking on a number of initiatives such as its migration to a cloud-hosting system, automation and digitalisation of its service (nearly completed), and staffing. The process and the platform to provide these services is proprietary and has been built in-house.

The new Acquiring business line should provide the Group with a higher margin compared to the Processing model adopted so far. Under processing agreements, a fixed fee is charged per transaction related to processing services, while an Acquiring model will on the other hand allow the Group to charge a percentage of the transaction value rather than just the fixed fee. The Group has established RS2 Financial Services GmbH in Germany to run this new business segment using the services of RS2 Smart Processing Ltd. (as a supplier) to provide the processing of the business. RS2 Financial Services GmbH is investing in building a fully digitalised merchant ecosystem that streamlines the entire onboarding, servicing, and clearing and funding.

In 2020, the Group continues to concentrate on implementing and delivering its strategy around its main business pillars of growing and expanding the Managed Services business, ramping up the US expansion and building its own Direct Acquiring business.

RS2's proven proprietary BankWORKS® payment platform is now adapted and certified for the North American market in addition to the already certified regions such as Europe, LATAM and APAC. The focus is on enabling technology companies to create their own payment ecosystem and service their customers globally, thus being a viable and attractive alternative to existing players. Target customers are technology-focused Independent Sales Organisations (ISOs), Independent Software Vendors (ISVs), Payment Facilitators (PayFacs) and technology companies with a merchant base.

In the US, the Group has launched the core global platform with online processing in Q4 2019 and has expanded to offline processing and acquiring in early 2020 while issuer and closed-loop processing will follow in late 2020. Over time, the core platform will be supplemented with additional utility and value-added services such as analytics, loyalty and rewards, and third-party or internally-developed services to develop a modular Payments-as-a-Service platform.

In Europe the market entry strategy will be focusing on:

- Global acquiring and issuing international ISOs, PayFacs, ISVs and multinational merchants, own Direct Merchant Acquiring and Issuing, which will be rolled out in two phases;
- Ease of use of omni-channel processor on one single platform covering multi-regions;
- Closed-loop processing large, international merchants covering Acquiring and Issuing of reward, loyalty, gift cards and prepaid instant funding/instant credit alternative lenders, merchants' disbursements for insurers and retail;
- Excelling on its offering through specialisation into different verticals (hospitality and healthcare);

# RS2 Software p.l.c.

## Directors' Report

For the six months ended 30 June 2020

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- Adding in European core markets selective SME capabilities and portfolios;
- Partnering with established local players allowing quick entry to non-core markets;
- Developing bank and sponsoring partnership with acquirers in the regions;
- E-commerce clients will be targeted. Additionally, RS2 will be delivering POS services to SMEs in Germany, directly via acquisitions or indirectly through referred partnerships; and
- Multinational customers will be targeted to consolidate its omni-channel acquiring series.

RS2's strategy for APAC will be mainly focusing on two areas:

- Delivering Payment-as-a-Service for Issuing and Acquiring to financial institutions of any size; and
- Offering term licences for Issuing and Acquiring to large international banks.

The Group will also be establishing sponsorship relationships with its card customers currently in the Philippines, Vietnam, Malaysia, Australia and New Zealand in order to be able to service multinational corporates in the APAC region.

The APAC subsidiary of the Group, out of the Philippines, will be managing the sales and marketing activities and client support, including implementation and customisation services for the licence clients and running the operation for the Managed Services clients. At the same time, the subsidiary will also be providing cross-services to the Group such as call centre activities and chargeback processing.

RS2's strategy for LATAM will be mainly focusing on two areas:

- The strategy of the Group is currently to continue increasing the services to its current customers in Brazil, Argentina and Colombia by supporting their regional expansion while also following on large opportunities in Brazil; and
- In Colombia, the Group, together with its customer and partner, is building an offering for Acquiring services to SMEs in the country.

The competitive advantage that the Group has over its competitors is mainly its proprietary in-house developed high-performance and highly scalable platform that supports any size of business covering both Issuing and Acquiring, ranging from small PSPs with a few millions of transactions, right up to top league chart banks processing tens of billions in transactions. The platform is future-proofed by a unique team of long-serving skilled people and this should accelerate the growth of the Group eliminating the dependencies on third party suppliers.

The Group is also consistently expanding its network of partners to deliver its global Acquiring solution. This includes partner banks, ISOs, ISVs, PayFacs, terminal providers and payment gateways across the globe with an initial focus on Europe and the US.

### **Related party transactions**

Similar to what was reported in the financial statements for the year ended 31 December 2019, 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 13 of the Notes to these Condensed Interim Financial Statements.



# RS2 Software p.l.c.

## Directors' Report

For the six months ended 30 June 2020

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### Dividends

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

Approved by the Board of Directors on 26th August 2020 and signed on its behalf by:



Mario Schembri  
Chairman



Radi El Haj  
Director

# RS2 Software p.l.c.

## Statements of Financial Position

As at 30 June 2020

	The Group		The Company	
	30.06.20 Unaudited	31.12.19 Audited	30.06.20 Unaudited	31.12.19 Audited
	€	€	€	€
<b>Assets</b>				
Property, plant and equipment	9,013,292	9,212,926	8,024,948	8,145,237
Right-of-use assets	2,371,093	2,560,771	478,800	497,120
Intangible assets and goodwill	11,614,208	8,961,429	6,598,342	6,479,242
Investments in subsidiaries	-	-	15,259,810	14,475,363
Other investment	217,105	217,105	217,105	217,105
Loans receivable	791,599	786,170	849,838	844,189
<b>Total non-current assets</b>	<b>24,007,297</b>	<b>21,738,401</b>	<b>31,428,843</b>	<b>30,658,256</b>
Trade and other receivables	2,591,594	4,189,260	3,645,913	2,948,605
Loans receivable	148,189	137,938	2,316,471	6,444
Prepayments	699,449	710,745	602,170	581,505
Accrued income and contract costs	4,146,274	2,613,500	8,564,460	5,058,359
Inventories	173,595	-	-	-
Cash at bank and in hand	3,044,564	2,422,211	952,413	1,141,695
<b>Total current assets</b>	<b>10,803,665</b>	<b>10,073,654</b>	<b>16,081,427</b>	<b>9,736,608</b>
<b>Total assets</b>	<b>34,810,962</b>	<b>31,812,055</b>	<b>47,510,270</b>	<b>40,394,864</b>

# RS2 Software p.l.c.

## Statements of Financial Position

As at 30 June 2020

	The Group		The Company	
	30.06.20 Unaudited	31.12.19 Audited	30.06.20 Unaudited	31.12.19 Audited
	€	€	€	€
<b>Equity</b>				
Share capital	11,578,114	11,578,114	11,578,114	11,578,114
Reserves	(97,997)	(182,759)	(125,701)	(160,316)
Retained earnings	3,313,833	5,617,485	16,519,393	15,536,017
<b>Total equity attributable to equity holders of the Company</b>	<b>14,793,950</b>	<b>17,012,840</b>	<b>27,971,806</b>	<b>26,953,815</b>
Non-controlling interest	(4,258,254)	(2,927,662)	-	-
<b>Total equity</b>	<b>10,535,696</b>	<b>14,085,178</b>	<b>27,971,806</b>	<b>26,953,815</b>
<b>Liabilities</b>				
Bank borrowings	1,903,488	66,805	1,903,488	66,805
Lease liabilities	2,044,940	2,198,329	444,358	466,233
Employee benefits	3,276,056	2,964,959	1,984,652	2,252,049
Deferred tax liability	1,487,585	1,434,154	1,446,967	1,445,108
Derivatives	3,739	9,497	3,739	9,497
<b>Total non-current liabilities</b>	<b>8,715,808</b>	<b>6,673,744</b>	<b>5,783,204</b>	<b>4,239,692</b>
Bank borrowings	7,800,880	3,912,653	7,242,744	3,912,653
Trade and other payables	1,430,252	1,704,397	802,903	1,462,789
Lease liabilities	335,667	363,773	27,199	26,922
Current tax payable	1,176,624	647,466	1,176,624	647,466
Accruals	2,031,108	1,813,532	1,584,605	1,087,429
Employee benefits	381,512	774,800	381,512	111,422
Deferred income	2,403,415	1,836,512	2,539,673	1,952,676
<b>Total current liabilities</b>	<b>15,559,458</b>	<b>11,053,133</b>	<b>13,755,260</b>	<b>9,201,357</b>
<b>Total liabilities</b>	<b>24,275,266</b>	<b>17,726,877</b>	<b>19,538,464</b>	<b>13,441,049</b>
<b>Total equity and liabilities</b>	<b>34,810,962</b>	<b>31,812,055</b>	<b>47,510,270</b>	<b>40,394,864</b>

# RS2 Software p.l.c.

## Statements of Changes in Equity

For the six months ended 30 June 2020

### THE GROUP

Attributable to equity holders of the Company

	Share capital €	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 2019	10,291,657	1,077	(117,043)	(1,873)	(385,995)	165,385	85,158	8,529,949	18,568,315	(1,336,130)	17,232,185
<b>Comprehensive income for the period</b>											
Profit/(loss) for the period	-	-	-	-	-	-	-	20,140	20,140	(267,482)	(247,342)
Foreign currency translation differences	-	-	10,835	-	-	-	-	-	10,835	(6,690)	4,145
Total other comprehensive income/(loss) for the period	-	-	10,835	-	-	-	-	-	10,835	(6,690)	4,145
Total comprehensive income/(loss) for the period	-	-	10,835	-	-	-	-	20,140	30,975	(274,172)	(243,197)
<b>Transactions recorded directly in equity</b>											
Employees share benefits	-	-	-	-	-	50,000	-	-	50,000	-	50,000
<b>Transactions with owners of the Company</b>											
Bonus issue	1,286,457	-	-	-	-	-	-	(1,286,457)	-	-	-
Share options exercised	-	-	-	-	-	-	(7,895)	7,895	-	-	-
<b>Balance at 30 June 2019</b>	<b>11,578,114</b>	<b>1,077</b>	<b>(106,208)</b>	<b>(1,873)</b>	<b>(385,995)</b>	<b>215,385</b>	<b>77,263</b>	<b>7,271,527</b>	<b>18,649,290</b>	<b>(1,610,302)</b>	<b>17,038,988</b>
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
<b>Comprehensive loss for the period</b>											
Loss for the period	-	-	-	-	-	-	-	(2,303,652)	(2,303,652)	(1,342,513)	(3,646,165)
<b>Other comprehensive income</b>											
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)
<b>Transactions recorded directly in equity</b>											
Employees share benefits	-	-	-	-	-	34,615	-	-	34,615	-	34,615
	-	-	-	-	-	34,615	-	-	34,615	-	34,615
<b>Balance at 30 June 2020</b>	<b>11,578,114</b>	<b>1,077</b>	<b>4,277</b>	<b>(1,873)</b>	<b>(478,741)</b>	<b>300,000</b>	<b>77,263</b>	<b>3,313,833</b>	<b>14,793,950</b>	<b>(4,258,254)</b>	<b>10,535,696</b>

# RS2 Software p.l.c.

## Statements of Changes in Equity

For the six months ended 30 June 2020

### THE COMPANY

	Share capital €	Share premium €	Fair value reserve €	Other reserves €	Share option reserve €	Employee benefits reserve €	Retained earnings €	Total €
<b>Balance at 1 January 2019</b>	10,291,657	1,077	(1,873)	165,385	85,158	(385,470)	15,166,809	25,322,743
<b>Comprehensive income for the period</b>								
Profit for the period	-	-	-	-	-	-	826,186	826,186
Total comprehensive income for the period	-	-	-	-	-	-	826,186	826,186
<b>Transactions recorded directly in equity</b>								
Employee share benefits	-	-	-	50,000	-	-	-	50,000
Discount unwind	-	-	-	-	-	-	(15,187)	(15,187)
	-	-	-	50,000	-	-	(15,187)	34,813
<b>Transactions with owners of the Company</b>								
Bonus issue	1,286,457	-	-	-	-	-	(1,286,457)	-
Share options exercised	-	-	-	-	(7,895)	-	7,895	-
<b>Balance at 30 June 2019</b>	11,578,114	1,077	(1,873)	215,385	77,263	(385,470)	14,699,246	26,183,742
Balance at 1 January 2020	11,578,114	1,077	(1,873)	265,385	77,263	(502,168)	15,536,017	26,953,815
<b>Comprehensive income for the period</b>								
Profit for the period	-	-	-	-	-	-	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

# RS2 Software p.l.c.

## Statements of Comprehensive Income

For the six months ended 30 June 2020

	Note	The Group		The Company	
		30.06.20 Unaudited	30.06.19 Unaudited	30.06.20 Unaudited	30.06.19 Unaudited
		€	€	€	€
<b>Continuing Operations</b>					
Revenue	7	10,837,304	11,219,122	10,140,278	9,041,242
Cost of sales		(8,928,930)	(6,728,585)	(6,050,513)	(5,795,835)
<b>Gross profit</b>		<b>1,908,374</b>	<b>4,490,537</b>	<b>4,089,765</b>	<b>3,245,407</b>
Other income		9,853	30,932	7,170	23,862
Marketing and promotional expenses		(740,532)	(956,876)	(276,935)	(324,039)
Administrative expenses		(3,954,624)	(3,176,276)	(2,130,702)	(1,714,462)
Other expenses		(75,998)	(42,725)	(68,375)	63,017
Impairment loss on trade receivables and contract assets		(47,361)	15,310	(13,000)	(43,000)
<b>Results from operating activities</b>		<b>(2,900,288)</b>	<b>360,902</b>	<b>1,607,923</b>	<b>1,250,785</b>
Finance income		11,743	12,928	48,922	27,969
Finance costs		(173,379)	(76,101)	(142,443)	(37,797)
<b>Net finance cost</b>		<b>(161,636)</b>	<b>(63,173)</b>	<b>(93,521)</b>	<b>(9,828)</b>
<b>(Loss)/Profit before income tax</b>		<b>(3,061,924)</b>	<b>297,729</b>	<b>1,514,402</b>	<b>1,240,957</b>
Income tax expense		(584,241)	(545,071)	(531,026)	(414,771)
<b>(Loss)/Profit for the period</b>		<b>(3,646,165)</b>	<b>(247,342)</b>	<b>983,376</b>	<b>826,186</b>
<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		62,068	4,145	-	-
<b>Total comprehensive (loss)/income</b>		<b>(3,584,097)</b>	<b>(243,197)</b>	<b>983,376</b>	<b>826,186</b>
<b>(Loss)/Profit attributable to:</b>					
Owners of the Company		(2,303,652)	20,140	983,376	826,186
Non-controlling interest		(1,342,513)	(267,482)	-	-
<b>(Loss)/Profit for the period</b>		<b>(3,646,165)</b>	<b>(247,342)</b>	<b>983,376</b>	<b>826,186</b>
<b>Total comprehensive (loss)/income attributable to:</b>					
Owners of the Company		(2,253,505)	30,973	983,376	826,186
Non-controlling interest		(1,330,592)	(274,170)	-	-
<b>Total comprehensive (loss)/income for the period</b>		<b>(3,584,097)</b>	<b>(243,197)</b>	<b>983,376</b>	<b>826,186</b>
<b>(Loss)/Earnings per share</b>		<b>-€ 0.0119</b>	<b>€ 0.0001</b>	<b>€ 0.0051</b>	<b>€ 0.0043</b>

# RS2 Software p.l.c.

## Statements of Cash flows

For the six months ended 30 June 2020

	The Group		The Company	
	30.06.20 Unaudited	30.06.19 Unaudited	30.06.20 Unaudited	30.06.19 Unaudited
	€	€	€	€
<b>Cash flows from operating activities</b>				
(Loss)/Profit for the period	(3,646,165)	(247,342)	983,376	826,186
Adjustments for:				
Depreciation	496,974	466,842	180,581	197,789
Amortisation of intangible assets	424,342	384,814	424,342	384,812
Provision for impairment loss on receivables	29,871	27,690	-	-
Provision for expected credit losses	17,490	(43,000)	13,000	(43,000)
Interest payable	129,298	61,695	106,015	25,846
Interest receivable	(5,984)	(5,420)	(36,321)	(5,399)
Unwinding of discount on post-employment benefits	3,185	19,741	2,693	15,433
Unwinding of discount on contract assets	-	-	(6,843)	(15,187)
Unwinding of discount on deposit	622	(414)	-	-
Income tax	584,241	545,071	531,025	414,771
Provision for exchange fluctuations	69,833	2,009	60,593	(3,184)
Employee share benefits	86,625	50,000	34,615	50,000
Change in fair value of derivative	(5,758)	(5,511)	(5,758)	(5,511)
	(1,815,426)	1,256,175	2,287,318	1,842,556
Change in trade and other receivables	(4,192,085)	(3,992,304)	75,308	(144,016)
Change in trade and other payables	3,279,842	2,666,606	585,731	480,266
Change in parent company's balance	-	-	(6,626,755)	305,552
Change in other related parties' balance	-	(5,283)	-	-
Inventories	(173,595)	-	-	-
Cash (used in)/generated from operating activities	(2,901,264)	(74,806)	(3,678,398)	2,484,358
Interest paid	(117,291)	(58,863)	(106,065)	(26,454)
Interest received	189	206	15,577	195
Income taxes paid	(12,181)	(29)	(8)	(29)
<b>Net cash (used in)/generated from operating activities</b>	<b>(3,030,547)</b>	<b>(133,492)</b>	<b>(3,768,894)</b>	<b>2,458,070</b>
<b>Cash flows from investing activities</b>				
Acquisition of property, plant and equipment	(91,411)	(245,283)	(38,273)	(45,640)
Capitalised development costs	(1,356,708)	(414,302)	(543,442)	(414,302)
Investment in subsidiaries	-	-	(991,428)	(25,000)
Advances to subsidiaries	-	-	(7,958)	(3,303,725)
Repayment of advances from subsidiaries	-	-	-	268,620
<b>Net cash used in investing activities</b>	<b>(1,448,119)</b>	<b>(659,585)</b>	<b>(1,581,101)</b>	<b>(3,520,047)</b>

# RS2 Software p.l.c.

## Statements of Cash flows

For the six months ended 30 June 2020

	The Group		The Company	
	30.06.20 Unaudited	30.06.19 Unaudited	30.06.20 Unaudited	30.06.19 Unaudited
	€	€	€	€
<b>Cash flows from financing activities</b>				
Dividends paid	(28)	(83)	(28)	(83)
Proceeds from bank borrowings	2,500,000	-	2,500,000	-
Repayments of bank borrowings	(267,664)	(422,490)	(267,664)	(422,490)
Proceeds from borrowings under the credit facility	2,929,751	-	2,929,751	-
Repayment of lease liability	(180,420)	(173,463)	66	-
Advances from other related parties	-	7,474	-	(21,415)
<b>Net cash generated from/(used in) financing activities</b>	<b>4,981,639</b>	<b>(588,562)</b>	<b>5,162,125</b>	<b>(443,988)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>502,973</b>	<b>(1,381,639)</b>	<b>(187,870)</b>	<b>(1,505,965)</b>
Cash and cash equivalents at 1 January	2,429,476	3,402,973	1,141,695	2,798,944
Effect of exchange rate fluctuations on cash held	112,115	(17,656)	(1,412)	(9,526)
<b>Cash and cash equivalents at 30 June</b>	<b>3,044,564</b>	<b>2,003,678</b>	<b>952,413</b>	<b>1,283,453</b>



# RS2 Software p.l.c.

## Notes to the Condensed Interim Financial Statements

### For the six months ended 30 June 2020

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#### 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 2020 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 2019.

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 2019.

A number of amendments to existing standards are effective from 1 January 2020 but the Group and the Company do not expect a material impact therefrom.

#### 5 Determination of Fair Value

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.

# RS2 Software p.l.c.

## Notes to the Condensed Interim Financial Statements

### For the six months ended 30 June 2020

#### 6 Segment reporting

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

30 June 2020	Licensing Unaudited €	Processing Unaudited €	Total reportable segments Unaudited €	All other segments Unaudited €	Total Unaudited €
External revenues *	5,900,411	4,320,475	10,220,886	616,418	10,837,304
Inter-segment revenues	4,359,861	20,449	4,380,310	-	4,380,310
Segment Revenues	<u>10,260,272</u>	<u>4,340,924</u>	<u>14,601,196</u>	<u>616,418</u>	<u>15,217,614</u>
Reportable segment profit/ (loss) before income tax	<u>995,300</u>	<u>(3,736,401)</u>	<u>(2,741,101)</u>	<u>(394,155)</u>	<u>(3,135,256)</u>

30 June 2019	Licensing Unaudited €	Processing Unaudited €	Total reportable segments Unaudited €	All other segments Unaudited €	Total Unaudited €
External revenues *	7,119,349	4,099,773	11,219,122	-	11,219,122
Inter-segment revenues	2,061,302	-	2,061,302	-	2,061,302
Segment Revenues	<u>9,180,651</u>	<u>4,099,773</u>	<u>13,280,424</u>	<u>-</u>	<u>13,280,424</u>
Reportable segment profit/ (loss) before income tax	<u>562,628</u>	<u>(338,231)</u>	<u>224,397</u>	<u>-</u>	<u>224,397</u>

##### 6.2 Reconciliation of the Group's reportable segment revenues and profit or loss

	<b>30.06.20</b>	30.06.19
	<b>Unaudited</b>	Unaudited
	<b>€</b>	€
<b>External revenues</b>		
Total revenue for reportable segments *	<b>14,601,196</b>	13,280,424
Total revenue for other segments	<b>616,418</b>	-
Elimination of inter-segment transactions	<b>(4,380,310)</b>	(2,061,302)
Consolidated revenues	<u><b>10,837,304</b></u>	<u>11,219,122</u>
<b>(Loss)/Profit before income tax</b>		
Total (loss)/profit before income tax for reportable segments	<b>(2,741,101)</b>	224,397
Loss before income tax for other segments	<b>(394,155)</b>	-
Elimination of inter-segment transactions	<b>73,332</b>	73,332
Consolidated reportable segment (loss)/profit before income tax	<u><b>(3,061,924)</b></u>	<u>297,729</u>

#### 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.

Category of activity	Reportable segments Total reportable segments			All other segments	Total
30 June 2020	Licensing Unaudited €	Processing Unaudited €	Total reportable segments Unaudited €	Unaudited €	Unaudited €
Licence fees excluding customisation*	216,222	-	216,222	-	216,222
Service fees, transaction processing and customisation	3,631,029	4,176,030	7,807,059	602,856	8,409,915
Maintenance fees	1,669,426	20,086	1,689,512	4,613	1,694,125
Comprehensive packages	357,000	-	357,000	-	357,000
Re-imbursment of expenses	26,734	124,359	151,093	8,949	160,042
	<u>5,900,411</u>	<u>4,320,475</u>	<u>10,220,886</u>	<u>616,418</u>	<u>10,837,304</u>

# RS2 Software p.l.c.

## Notes to the Condensed Interim Financial Statements

### For the six months ended 30 June 2020

#### 7 Revenue (continued)

##### 7.1 Disaggregation of revenue (continued)

30 June 2019	Licensing	Processing	Total reportable segments	All other segments	Total
	Unaudited €	Unaudited €	Unaudited €	Unaudited €	Unaudited €
Licence fees excluding customisation*	538,824	-	538,824	-	538,824
Service fees, transaction processing and customisation	4,382,785	3,838,909	8,221,694	-	8,221,694
Maintenance fees	1,614,313	17,516	1,631,829	-	1,631,829
Comprehensive packages	357,000	-	357,000	-	357,000
Re-imbursement of expenses	226,426	243,349	469,775	-	469,775
	<b>7,119,348</b>	<b>4,099,774</b>	<b>11,219,122</b>	<b>-</b>	<b>11,219,122</b>

##### Geographical markets

30 June 2020	Licensing	Processing	Total reportable segments	All other segments	Total
	Unaudited €	Unaudited €	Unaudited €	Unaudited €	Unaudited €
Europe*	5,318,267	1,176,165	6,494,432	616,418	7,110,850
Middle East	433,241	86,653	519,894	-	519,894
North America	-	2,852,743	2,852,743	-	2,852,743
Asia	148,903	204,914	353,817	-	353,817
	<b>5,900,411</b>	<b>4,320,475</b>	<b>10,220,886</b>	<b>616,418</b>	<b>10,837,304</b>

30 June 2019	Licensing	Processing	Total reportable segments	All other segments	Total
	Unaudited €	Unaudited €	Unaudited €	Unaudited €	Unaudited €
Europe*	6,175,397	1,846,716	8,022,113	-	8,022,113
Middle East	390,700	105,102	495,802	-	495,802
North America	411,481	1,919,384	2,330,865	-	2,330,865
South America	-	91,638	91,638	-	91,638
Asia	141,770	136,934	278,704	-	278,704
	<b>7,119,348</b>	<b>4,099,774</b>	<b>11,219,122</b>	<b>-</b>	<b>11,219,122</b>

##### Timing of revenue recognition

30 June 2020	Licensing	Processing	Total reportable segments	All other segments	Total
	Unaudited €	Unaudited €	Unaudited €	Unaudited €	Unaudited €
Transferred at a point in time	-	-	-	-	-
Transferred over time*	5,900,411	4,320,475	10,220,886	616,418	10,837,304
	<b>5,900,411</b>	<b>4,320,475</b>	<b>10,220,886</b>	<b>616,418</b>	<b>10,837,304</b>

30 June 2019	Licensing	Processing	Total reportable segments	All other segments	Total
	Unaudited €	Unaudited €	Unaudited €	Unaudited €	Unaudited €
Transferred at a point in time	-	-	-	-	-
Transferred over time*	7,119,348	4,099,774	11,219,122	-	11,219,122
	<b>7,119,348</b>	<b>4,099,774</b>	<b>11,219,122</b>	<b>-</b>	<b>11,219,122</b>

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

#### 7.2 Contract balances

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

	The Group		The Company	
	30.06.20 Unaudited €	31.12.19 Audited €	30.06.20 Unaudited €	31.12.19 Audited €
Receivables, which are included in 'Trade and other receivables'	2,591,594	4,189,260	3,645,913	2,948,605
Contract assets	3,286,758	1,959,235	7,764,151	4,418,561
Contract liabilities	(2,403,415)	(1,836,512)	(2,539,673)	(1,903,695)

### For the six months ended 30 June 2020

#### 7 Revenue (continued)

##### 7.2 Contract balances (continued)

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 revenue is recognised over time.

The following tables include revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or

	The Group			
	Within one year €	After one year €	After two years and beyond €	Total €
Licence fees	36,456	300,000	-	336,456
Services fees	2,711,871	407,161	-	3,119,032

	The Company			
	Within one year €	After one year €	After two years and beyond €	Total €
Licence fees	36,456	300,000	480,000	816,456
Services fees	9,234	125,000	48,000	182,234

The following tables include revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the 30 June 2019.

	The Group			
	Within one year €	After one year €	After two years and beyond €	Total €
Licence fees	429,458	-	820,000	1,249,458
Services fees	635,255	1,677,242	2,064,902	4,377,399

	The Company			
	Within one year €	After one year €	After two years and beyond €	Total €
Licence fees	429,458	-	820,000	1,249,458
Services fees	52,534	-	177,000	229,534

The Group applies the practical expedient in paragraph 121 of IFRS15 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 2020, the Group acquired assets with a cost of €101,263 (six months ended 30 June 2019: €293,291). No assets were disposed of up to 30 June 2020 (six months ended 30 June 2019: no assets).

#### 9 Leases

The Group has leases for office premises in Gozo, Denver, Manila, Neu-lsenburg, and an apartment in Mosta. Details about these lease agreements are included within the Group's consolidated financial statements as at and for the year ended 31 December 2019. No changes to these lease agreements took place in the six months ended 30 June 2020.

Upon adoption of IFRS 16 on 1 January 2019, the Group applied the practical expedient applicable to short-term leases in paragraph 6 of IFRS 16 for the agreement which the Group was party with a computer hardware company to lease a server in relation to a combination of managed hosting services and a private cloud infrastructure. No right-of-use (ROU) asset had therefore been recognised by the Group for this lease.

# RS2 Software p.l.c.

## Notes to the Condensed Interim Financial Statements

### For the six months ended 30 June 2020

#### 9 Leases (continued)

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

	<b>The Group</b>	<b>The Company</b>
	Unaudited	Unaudited
	€	€
<b>Land and buildings</b>		
As at 1 January 2020	2,560,771	497,120
Depreciation charge	(189,678)	(18,320)
As at 30 June 2020	<b>2,371,093</b>	<b>478,800</b>

	<b>The Group</b>	<b>The Company</b>
	Audited	Audited
	€	€
<b>Land and buildings</b>		
As at 1 January 2019 upon adoption of IFRS 16	761,057	504,357
Depreciation charge	(391,093)	(35,742)
Additions to right-of-use assets	2,190,807	28,505
As at 31 December 2019	<b>2,560,771</b>	<b>497,120</b>

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

	<b>The Group</b>	<b>The Company</b>
	Unaudited	Unaudited
	€	€
As at 1 January 2020	2,562,102	493,155
Additions	-	-
Accretion of interest	30,154	6,871
Payments	(211,649)	(28,469)
As at 30 June 2020	<b>2,380,607</b>	<b>471,557</b>

	<b>The Group</b>	<b>The Company</b>
	Audited	Audited
	€	€
As at 1 January 2019 upon adoption of IFRS 16	731,505	495,748
Additions	2,190,807	28,505
Accretion of interest	66,569	13,912
Payments	(426,779)	(45,010)
As at 31 December 2019	<b>2,562,102</b>	<b>493,155</b>

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

	<b>The Group</b>		<b>The Company</b>	
	<b>30.06.20</b>	30.06.19	<b>30.06.20</b>	30.06.19
	Unaudited	Unaudited	Unaudited	Unaudited
	€	€	€	€
Depreciation expense	198,325	188,978	18,254	17,485
Interest expense on lease liabilities	30,154	42,846	6,871	6,996
Expenses relating to short-term leases	-	163,879	-	-
Total amount recognised in profit or loss	<b>228,479</b>	395,703	<b>25,125</b>	24,481

No variable lease payments exist as at 30 June 2020 with respect to the leases held by the Group and the Company.

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

# RS2 Software p.l.c.

## Notes to the Condensed Interim Financial Statements

### For the six months ended 30 June 2020

#### 10 Intangible assets

During the six months ended 30 June 2020, the Group and the Company capitalised expenditure on the development of computer software amounting to €1,213,516 and €543,442, respectively (six months ended 30 June 2019: €414,302 for both the Group and the Company).

Intangible assets as at 30 June 2020 also include goodwill recognised from the acquisition of Kalicom Liebers Zahlungssysteme KG (refer to Note 12) amounting to €1,863,605.

#### 11 Financial instruments - Fair values and risk management

##### 11.1 Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. For the current year, the fair value disclosure of lease liabilities is also not required.

THE GROUP	Carrying Amount				
	Mandatorily at FVTPL - others	FVOCI - equity instruments	Financial assets at amortised cost	Other financial liabilities	Total carrying amount
30 June 2020	€	€	€	€	€
<b>Financial assets measured at fair value</b>					
Other investment	-	217,105	-	-	217,105
	-	217,105	-	-	217,105
<b>Financial assets not measured at fair value</b>					
Trade and other receivables	-	-	2,591,594	-	2,591,594
Loans Receivable	-	-	148,189	-	148,189
Cash at bank	-	-	3,034,743	-	3,034,743
	-	-	5,774,526	-	5,774,526
<b>Financial liabilities measured at fair value</b>					
Derivatives	(3,739)	-	-	-	(3,739)
	(3,739)	-	-	-	(3,739)
<b>Financial liabilities not measured at fair value</b>					
Trade and other payables	-	-	-	(1,430,252)	(1,430,252)
Bank Borrowings	-	-	-	(9,704,368)	(9,704,368)
Accruals	-	-	-	(2,031,108)	(2,031,108)
	-	-	-	(13,165,728)	(13,165,728)

	Fair Value			
	Level 1 €	Level 2 €	Level 3 €	Total €
<b>Financial assets measured at fair value</b>				
Other investment	-	-	217,105	217,105
<b>Financial assets not measured at fair value</b>				
Trade and other receivables				
Loans Receivable				
Cash at bank				
<b>Financial liabilities measured at fair value</b>				
Derivatives	-	(3,739)	-	(3,739)
<b>Financial liabilities not measured at fair value</b>				
Trade and other payables				
Bank Borrowings	-	(9,704,368)	-	(9,704,368)
Accruals				

# RS2 Software p.l.c.

## Notes to the Condensed Interim Financial Statements

### For the six months ended 30 June 2020

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

##### 11.1 Accounting classifications and fair values (continued)

31 December 2019	Carrying Amount				
	Mandatorily at FVTPL – others	FVOCI – equity instruments	Financial assets at amortised cost	Other financial liabilities	Total carrying amount
	€	€	€	€	€
<b>Financial assets measured at fair value</b>					
Other investment	-	217,105	-	-	217,105
	-	217,105	-	-	217,105
<b>Financial assets not measured at fair value</b>					
Trade and other receivables	-	-	4,189,260	-	4,189,260
Loans Receivable	-	-	137,938	-	137,938
Cash at bank	-	-	2,416,380	-	2,416,380
	-	-	6,743,578	-	6,743,578
<b>Financial liabilities measured at fair value</b>					
Derivatives	(9,497)	-	-	-	(9,497)
	(9,497)	-	-	-	(9,497)
<b>Financial liabilities not measured at fair value</b>					
Trade and other payables	-	-	-	(1,704,397)	(1,704,397)
Bank Borrowings	-	-	-	(3,979,458)	(3,979,458)
Accruals	-	-	-	(1,813,532)	(1,813,532)
	-	-	-	(7,497,387)	(7,497,387)

	Fair Value			
	Level 1 €	Level 2 €	Level 3 €	Total €
<b>Financial assets measured at fair value</b>				
Other investment	-	-	217,105	217,105
<b>Financial assets not measured at fair value</b>				
Trade and other receivables				
Loans Receivable				
Cash at bank				
<b>Financial liabilities measured at fair value</b>				
Derivatives	-	(9,497)	-	(9,497)
<b>Financial liabilities not measured at fair value</b>				
Trade and other payables				
Bank Borrowings	-	(3,979,458)	-	(3,979,458)
Accruals				

# RS2 Software p.l.c.

## Notes to the Condensed Interim Financial Statements

### For the six months ended 30 June 2020

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

##### 11.1 Accounting classifications and fair values (continued)

THE COMPANY	Carrying Amount				
	Mandatorily at FVTPL – others	FVOCI – equity instruments	Financial assets at amortised cost	Other financial liabilities	Total carrying amount
30 June 2020	€	€	€	€	€
<b>Financial assets measured at fair value</b>					
Other investment	-	217,105	-	-	217,105
	-	217,105	-	-	217,105
<b>Financial assets not measured at fair value</b>					
Trade and other receivables	-	-	3,645,913	-	3,645,913
Loans Receivable	-	-	2,316,471	-	2,316,471
Cash at bank	-	-	946,973	-	946,973
	-	-	6,909,357	-	6,909,357
<b>Financial liabilities measured at fair value</b>					
Derivatives	(3,739)	-	-	-	(3,739)
	(3,739)	-	-	-	(3,739)
<b>Financial liabilities not measured at fair value</b>					
Trade and other payables	-	-	-	(802,903)	(802,903)
Bank Borrowings	-	-	-	(9,146,232)	(9,146,232)
Accruals	-	-	-	(1,584,605)	(1,584,605)
	-	-	-	(11,533,740)	(11,533,740)

	Fair Value			Total €
	Level 1 €	Level 2 €	Level 3 €	
<b>Financial assets measured at fair value</b>				
Other investment	-	-	217,105	217,105
<b>Financial assets not measured at fair value</b>				
Trade and other receivables				
Loans Receivable				
Cash at bank				
<b>Financial liabilities measured at fair value</b>				
Derivatives	-	(3,739)	-	(3,739)
<b>Financial liabilities not measured at fair value</b>				
Trade and other payables				
Bank Borrowings	-	(9,146,232)	-	(9,146,232)
Accruals				



# RS2 Software p.l.c.

## Notes to the Condensed Interim Financial Statements

### For the six months ended 30 June 2020

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

##### 11.1 Accounting classifications and fair values (continued)

31 December 2019	Carrying Amount				
	Mandatorily at FVTPL – others	FVOCI – equity instruments	Financial assets at amortised cost	Other financial liabilities	Total carrying amount
	€	€	€	€	€
<b>Financial assets measured at fair value</b>					
Other investment	-	217,105	-	-	217,105
	-	217,105	-	-	217,105
<b>Financial assets not measured at fair value</b>					
Trade and other receivables	-	-	2,948,605	-	2,948,605
Loans Receivable	-	-	6,444	-	6,444
Cash at bank	-	-	1,136,295	-	1,136,295
	-	-	4,091,344	-	4,091,344
<b>Financial liabilities measured at fair value</b>					
Derivatives	(9,497)	-	-	-	(9,497)
	(9,497)	-	-	-	(9,497)
<b>Financial liabilities not measured at fair value</b>					
Trade and other payables	-	-	-	(1,462,789)	(1,462,789)
Bank Borrowings	-	-	-	(3,979,458)	(3,979,458)
Accruals	-	-	-	(1,087,429)	(1,087,429)
	-	-	-	(6,529,676)	(6,529,676)

	Fair Value			
	Level 1	Level 2	Level 3	Total
	€	€	€	€
<b>Financial assets measured at fair value</b>				
Other investment	-	-	217,105	217,105
<b>Financial assets not measured at fair value</b>				
Trade and other receivables				
Loans Receivable				
Cash at bank				
<b>Financial liabilities measured at fair value</b>				
Derivatives	-	(9,497)	-	(9,497)
<b>Financial liabilities not measured at fair value</b>				
Trade and other payables				
Bank Borrowings	-	(3,979,458)	-	(3,979,458)
Accruals				

### For the six months ended 30 June 2020

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

##### 11.2 Measurement of fair values

##### 11.2.1 Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values at 30 June 2020 and 31 December 2019 for financial instruments measured at fair value in the statement of financial position, as well as the significant unobservable inputs used.

##### Financial instruments measured at fair value

Type	Valuation Technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value movements
<b>Other investment</b>	<i>Discounted future cash flows:</i>  The valuation model considers the present value of future cash flows, as discounted at the market rate of interest at the reporting date	- Cash flow projections of the investee for a period up to 5 years (30 June 2020: range €2.5m to €5.3m) - Discount rate encompassing market risk premium and industry specific risk (30 June 2020: 15.4%, 31 December 2019: 13.3%)	The estimated fair value would increase (decrease) if:  - the expected cash flows were higher (lower); or - the risk-adjusted discount rate were lower (higher)
<b>Derivatives</b>	<i>Discounted future cash flows:</i> The valuation model considers the present value of future cash flows, as discounted at the applicable year end discount rate	Not applicable	Not applicable
<b>Borrowings</b>	<i>Discounted future cash flows:</i> The valuation model considers the present value of future cash flows, as discounted at the applicable year end discount rate	Not applicable	Not applicable

##### 11.2.2 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 2020 and no transfers in either direction during the six months ended 30 June 2019.

##### 11.2.3 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:

	<u>The Group</u>	<u>The Company</u>
	€	€
Balance at 31 December 2019	186,064	44,341
Net remeasurement of loss allowance	41,942	13,000
Balance at 30 June 2020	<u>228,006</u>	<u>57,341</u>
	<u>The Group</u>	<u>The Company</u>
	€	€
Balance at 31 December 2018	146,550	119,219
Net remeasurement of loss allowance	(15,310)	(43,000)
Balance at 30 June 2019	<u>131,240</u>	<u>76,219</u>

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.

# RS2 Software p.l.c.

## Notes to the Condensed Interim Financial Statements

### For the six months ended 30 June 2020

#### 12 Acquisition of subsidiary

In December 2019, the RS2 Group (RS2 Holding Europe GmbH) has acquired a shelf company and has renamed it into Kalicom Zahlungssysteme GmbH. The purpose of this acquisition was to purchase Kalicom Liebers Zahlungssysteme KG.

Kalicom Liebers Zahlungssysteme KG 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.

On 1 January 2020, Kalicom Zahlungssysteme GmbH purchased 100% of Kalicom Liebers Zahlungssysteme KG, categorised as share deal. Kalicom Zahlungssysteme GmbH is a 100% subsidiary of RS2 Holding Europe GmbH, which is a 100% subsidiary of RS2 Software p.l.c.

The acquisition of KALICOM is a further step for RS2 to eliminate any dependencies on third parties to ensure first class services. At the same time, this gives RS2 a quick start into the German acquiring market.

The transaction is classified as a Class 1 transaction as per listing rules of the Malta Stock Exchange. The purchase price of this acquisition was €2,000,000 plus acquisition related costs. To finance this deal, RS2 Software p.l.c. increased its credit line with one of the Company's bankers. RS2 Software p.l.c. gave the purchaser an intercompany loan to pay the purchase price and the acquisition related costs in cash. The costs related to this acquisition amount to €250,000 on legal fees and other related costs.

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition of Kalicom Zahlungssysteme GmbH:

	20
	€
<b>Assets</b>	
Property, plant and equipment	27,200
Intangible assets	1,866,400
<i>thereof Goodwill</i>	<u>1,863,600</u>
<b>Total non-current assets</b>	<b>1,893,600</b>
Inventories	106,400
Trade and other receivables	38,000
Cash at bank and in hand	87,000
<b>Total current assets</b>	<b>231,400</b>
<b>Total assets</b>	<b>2,125,000</b>
<b>Equity and Liabilities</b>	
Share capital	25,000
Acquisition-related costs expensed	(200,000)
<b>Total equity</b>	<b>(175,000)</b>
Liabilities to related companies	2,300,000
<b>Total liabilities</b>	<b>2,300,000</b>
<b>Total equity and liabilities</b>	<b>2,125,000</b>

These are provisional amounts extracted from the financial statements of Kalicom Liebers Zahlungssysteme KG for financial year ending 31 December 2019, and therefore are subject to change. If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

The goodwill is attributable to Kalicom Liebers Zahlungssysteme KG's strong position and profitability in the electronic, card-based payment systems and synergies expected to arise after the Company's acquisition of the new subsidiary. None of the goodwill is expected to be deductible for tax purposes.

The fair value of trade and other receivables is €38,000. The gross contractual amount for trade receivables due is €38,000 of which none is expected to be uncollectible.

The acquired business contributed revenues of €614,562 and net profit of €70,932 to the group for the reporting period. Given that the acquisition date for the business combination took place on 1 January 2020, the disclosure requirement emanating from IFRS 3 *Business Combinations*, paragraph B64(a)(ii) is not applicable.

# RS2 Software p.l.c.

## Notes to the Condensed Interim Financial Statements

### For the six months ended 30 June 2020

#### 13 Related parties

##### 13.1 Related party transactions

Similar to what was reported in the financial statements for the year ended 31 December 2019, the Group and the Company had the following transactions with related parties:

	The Group		The Company	
	30.06.20 Unaudited €	30.06.19 Unaudited €	30.06.20 Unaudited €	30.06.19 Unaudited €
<b>Parent company</b>				
Interest charged to	5,220	5,213	5,220	5,213
<b>Subsidiaries</b>				
Support services provided to			4,359,861	2,061,302
Support services provided by			1,270,591	1,261,506
Recharge of salaries to			113,457	137,324
Recharge of overheads to			111,764	129,670
Recharge of salaries by			57,348	57,347
<b>Other related entities</b>				
Depreciation charge on right-of-use asset	86,000	82,082	-	-
Interest expense on lease liability	12,056	19,329	-	-
Legal and administrative services provided by	116,630	71,877	66,486	53,556
Support services provided to	2,928,620	4,105,065	2,928,620	4,105,065
Services not yet invoiced provided to	454,726	547,646	454,726	547,646

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

##### 13.2 Related party balances

	The Group		The Company	
	30.06.20 Unaudited €	30.06.19 Unaudited €	30.06.20 Unaudited €	30.06.19 Unaudited €
<b>Amounts receivable</b>				
Amounts owed by parent company	791,599	780,935	791,599	780,935
Amounts owed by subsidiary companies	-	-	2,470,588	-
Amounts owed by other related entities	38,060	1,112,348	38,060	1,071,525
<b>Amounts payable</b>				
Trade payables due to other related entities	22,207	43,225	157,341	76,942

# RS2 Software p.l.c.

Statement pursuant to Listing Rule 5.75.3 issued by the Listing Authority

As at 30 June 2020

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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 2020, as well as the financial performance and cash flows for the period ended 30 June 2020; 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