

RS2 Software p.l.c.

COMPANY ANNOUNCEMENT

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

Quote

Reference is made to Company Announcement made on the 17th August 2021 whereby the uploaded condensed interim financial statements, which were approved during the Board meeting held on the 17th August 2021, were inadvertently not signed by the Directors.

Attached please find the same financial statements duly signed.

The condensed interim financial statements are available for viewing and download at the Company's website www.rs2.com/company/investor-relations/news-publications/financial-statements, and can also be viewed at the Company's registered office.

Unquote



Dr. Ivan Gatt

Company Secretary

24th August 2021



Interim Financial Statements

**For the period ended
30 June 2021**

Company Registration Number: C 25829

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Directors' Report

For the period ended 30 June 2021

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

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

Principal activities

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

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

Business review and future developments

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

Directors' Report (continued)

For the period ended 30 June 2021

Business review and future developments (continued)

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

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

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

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

Directors' Report (continued)

For the period ended 30 June 2021

COVID-19 and the implications on Going Concern

COVID-19

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

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

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

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

Going Concern

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

Directors' Report (continued)

For the period ended 30 June 2021

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

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

Principal Risks and Uncertainties

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

Related party transactions

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

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

Dividends

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

Reserves

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

Directors' Report (continued)

For the period ended 30 June 2021

Key Events during the period

Preference Shares IPO

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

Sale of Other Investment

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

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

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

Provision for a legal obligation

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

Directors' Report (continued)

For the period ended 30 June 2021

Key Events during the period (continued)

Provision for a legal claim

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

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



Mario Schembri

Chairman



Radi Abd El Haj

Director

Statements of Financial Position

As at 30 June

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

Statements of Financial Position (continued)

As at 30 June

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

Statements of Profit or Loss

For the period ended 30 June

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

Statements of Comprehensive Income

For the period ended 30 June

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

Statements of Changes in Equity

For the period ended 30 June 2021

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

Statements of Changes in Equity (continued)

For the period ended 30 June 2021

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

Statements of Changes in Equity (continued)

For the period ended 30 June 2021

COMPANY

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

Statements of Changes in Equity (continued)

For the period ended 30 June 2021

COMPANY

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

Statements of Cash Flows

For the six months ended 30 June

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

Statements of Cash Flows (continued)

For the six months ended 30 June

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

Notes to the financial statements

1 Reporting entity

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

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

2 Statement of compliance

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

Changes to significant accounting policies are described in Note 4.

3 Use of estimates and judgements

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

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

4 Significant accounting policies

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

5 Determination of fair values

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

6 Segment reporting

6.1 Information about the group's reportable segments

	Software (License) solutions Unaudited	Processing solutions Unaudited	Merchant solutions Unaudited	Total Unaudited
	€	€	€	€
30 June 2021				
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	14,572,429	8,646,775	1,026,438	24,245,642
Reportable segment profit/(loss) before income tax	2,530,885	768,954	(573,951)	2,725,888
30 June 2020				
External revenues	5,900,411	4,320,475	616,418	10,837,304
Inter-segment revenues	4,359,861	20,449	-	4,380,310
Segment revenues	10,260,272	4,340,924	616,418	15,217,614
Reportable segment profit/(loss) before income tax	995,300	(3,736,401)	(394,155)	(3,135,256)

6 Segment reporting (continued)**6.2 Reconciliation of reportable segment revenues and profit and loss**

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

7 Revenue

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

7.1 Disaggregation of revenue

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

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

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

GROUP	Licensing solutions		Processing solutions		Merchant solutions		Total	
	30.06.21 Unaudited €	30.06.20 Unaudited €	30.06.21 Unaudited €	30.06.20 Unaudited €	30.06.21 Unaudited €	30.06.20 Unaudited €	30.06.21 Unaudited €	30.06.20 Unaudited €
Category of activity								
License fees excluding Customisation * Service fees, transaction processing and customisation	2,439,003	216,222	-	-	-	-	2,439,003	216,222
Maintenance fees Comprehensive packages	1,573,376	1,669,426	29,425	20,086	12,827	4,613	1,615,628	1,694,125
Re-imbursment of expenses Operating lease income	357,000	357,000	-	-	-	-	357,000	357,000
	-	26,734	-	124,359	-	8,949	-	160,042
	-	-	-	-	18,201	-	18,201	-
	8,795,116	5,900,411	8,646,775	4,320,475	898,704	616,418	18,340,595	10,837,304
Geographical markets								
Europe	6,007,801	5,318,267	1,636,059	1,176,165	898,704	616,418	8,542,564	7,110,850
Middle East	327,725	433,241	22,017	86,653	-	-	349,742	519,894
North America	2,281,503	-	5,892,863	2,852,743	-	-	8,174,366	2,852,743
South America	-	-	320,410	-	-	-	320,410	-
Asia	178,090	148,903	775,423	204,914	-	-	953,513	353,817
	8,795,119	5,900,411	8,646,722	4,320,475	898,704	616,418	18,340,595	10,837,304

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

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

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

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

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

7.3 Future revenues

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

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

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

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

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

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

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

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

The above also excludes fees from transaction processing services.

8 Property, plant and equipment

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

9 Leases

9.1 The Group as a lessee

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

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

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

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

GROUP	Land and buildings	Cars	Terminals	Total
	Unaudited €	Unaudited €	Unaudited €	Unaudited €
Balance at 1 January 2020	2,560,771	-	-	2,560,771
Additions from acquisitions	-	-	51,341	51,341
Depreciation charge for the year	(403,458)	(40,615)	(34,233)	(478,306)
Additions to right-of-use assets	-	124,018	-	124,018
Transfer to right-of-use assets	-	-	(17,108)	(17,108)
Effects of movement in exchange rates	4,466	-	-	4,466
As at 31 December 2020	2,161,779	83,403	-	2,245,182
Balance at 1 January 2021	2,161,779	83,403	-	2,245,182
Depreciation charge for the year	(204,433)	(26,261)	-	(230,694)
Additions to right-of-use assets	229,936	58,300	-	288,236
Effects of movement in exchange rates	1,100	-	-	1,100
Balance at 30 June 2021	2,188,382	115,442	-	2,303,824
COMPANY				Land and buildings
				Unaudited
				€
Balance at 1 January 2020				497,120
Depreciation charge for the year				(36,578)
As at 31 December 2020				460,542
Balance at 1 January 2021				460,542
Depreciation charge for the year				(18,258)
Balance at 30 June 2021				442,284

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

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

GROUP	Land and buildings	Cars	Terminals	Total
	Unaudited €	Unaudited €	Unaudited €	Unaudited €
Balance at 1 January 2020	2,562,102	-	-	2,562,102
Additions from acquisitions	-	-	47,341	47,341
Additions	-	124,018	-	124,018
Accretion of interest	60,994	2,567	539	64,100
Payments	(429,274)	(42,561)	(47,880)	(519,715)
As at 31 December 2020	2,193,822	84,024	-	2,277,846
Balance at 1 January 2021	2,193,822	84,024	-	2,277,846
Additions	229,936	58,300	-	288,236
Accretion of interest	27,665	1,202	-	28,867
Payments	(183,227)	(59,502)	-	(242,729)
Balance at 30 June 2021	2,268,196	84,024	-	2,352,220
COMPANY				Land and buildings
				Unaudited €
Balance at 1 January 2020				493,155
Accretion of interest				13,551
Payments				(40,469)
As at 31 December 2020				466,237
Balance at 1 January 2021				466,237
Accretion of interest				6,526
Payments				(28,410)
Balance at 30 June 2021				444,353

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

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

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

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

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

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

9 Leases (continued)**9.2 The Group as a lessor****9.2.1 Operating lease arrangements**

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

Maturity analysis of operating lease receipts:

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

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

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

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

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

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

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

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

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

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

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

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

10 Intangible assets and goodwill

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

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

11 Financial instruments – fair values and risk management

11.1 Measurement of fair values

Loans receivable

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

Non-derivative financial liabilities

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

Derivative financial instruments

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

Share-based payment transactions

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

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

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

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

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

Finance lease receivables

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

Fair values versus carrying amounts

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

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

11.2 Transfers between levels

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

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

11.3 Concentration of credit risk

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

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

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

12 Related Parties**12.1 Related party transactions**

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

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

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

12 Related Parties (continued)

12.2 Related party balances

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

Statement pursuant to Listing Rule 5.75.3 issued by the Listing Authority

As at 30 June 2021

We confirm that to the best of our knowledge:

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



Mario Schembri

Chairman



Radi El Haj

Director