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 28 August 2019, the Board of Directors of RS2 Software p.l.c. approved the interim financial statements for the period ended 30 June 2019. 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/interim-financial-statements-2019/, and can also be viewed at the Company's registered office.

Unquote

Dr Ivan Gatt
Company Secretary
29 August 2019

Interim Financial Statements

For the six months ended
30 June 2019

Company Registration Number: C 25829

RS2 Software p.l.c.

Condensed Interim Financial Statements

For the six months ended 30 June 2019

Contents

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 Financial Markets Act, 1990.

The condensed financial statements have been extracted from the Group's unaudited consolidated accounts for the six months ended 30 June 2019 and its comparative period in 2018. The comparative balance sheet has been extracted from the audited financial statements as at 31 December 2018. 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 is principally engaged in the development, installation, implementation and marketing of specialised computer software for financial institutions, under the trade mark of BankWORKS®, and processing of payment transactions with the use of BankWORKS®.

Review of performance and business developments

During the six-month period ended June 2019, the Group registered total revenues of €11.2m compared to last year's €9m, which is net of the effects of the initial implementation of IFRS15, the new revenue recognition Standard. Such a significant increase in revenue, by 24%, has been brought about by a 38% increase in maintenance fees and 69% surge in service fees. On its own, revenues recorded from the processing segment spiked by a staggering 143% compared to the same period last year mainly as a result of significant improvement in the revenues generated by the existing managed services combined with significant revenues earned for the first time from the US operations which has now come to fruition.

During 2019, the Group continued to invest in human resources and infrastructure to meet increasing client demands for services and support growth of the Group's operations globally covering Europe, US, and Asia Pacific. Consequently, cost of sales were 14% higher when compared to 2018.

Gross profit for the first six months of the year stands at €4m compared to last year's €2.7m, net of IFRS15 effects. This significant improvement is attributable to a combination of increases in both revenue and cost of sales for the period but with revenues ultimately exceeding cost of sales with the resultant effect.

In line with the current and foreseeable growth of the Group's operations, administrative and marketing expenses also spiked by 46% and 95% respectively. This is especially driven by the growth in the US region. Marketing increases are reflective of the ongoing efforts in marketing activities where the Group is focusing particularly to widen the base of its US and European clients, whilst administrative expenses also increased in line with the Group's drive to bolster its support of the planned international growth.

The Group continues enhancing its current processes and procedures by automating key functions and invests in new methodologies and technologies which enable it to seamlessly onboard new customers and continue to improve the customer experience.

The Group is reporting a profit before tax of €0.3m compared to €0.8m in June 2018, net of any IFRS15 implications. Such position of financial performance is brought about as a result of the Group continuing to invest in the implementation of its growth strategy, building new pillars that will contribute heavily to its revenue generation and the expansion of its footprint globally.

In 2019, the Group has focused and will continue to concentrate on implementing and delivering its strategy around the four pillars of growing and expanding the Managed Services business, ramping up the US expansion, building its own direct acquiring business and creating a partner network to deliver a true global acquiring solution.

In the Managed Services business the Group was able to open up new verticals and regions. In Europe Middle East Africa (EMEA) the Group won new mandates in the Nordics and continued to deliver on strategic projects with new non-bank financial services businesses in the travel and pharmacy industry. In Latin America (LATAM), the Group rolled out its services in Brazil and Columbia as planned and has contracted to expand its services to Argentina in the second half of the year. The Group is also in promising discussions with a large client to expand its services to Mexico, Chile and Peru. In Asia Pacific (APAC), the Group entered into a letter of intent for a joint venture with a money transfer business. The Group also is planning to roll out its services in New Zealand and Malaysia before the end of this year adding new markets to its existing customer portfolio.

In the US the Group continued to invest heavily in building up the team and infrastructure and delivering full product capabilities to the market. The Group is working both on delivering its Managed Services solution as well as its own direct merchant business in the second half of the year. The Group is also in the process of securing a couple of significant deals in the US to support the acquiring and issuing business of these customers to expand in more than twenty countries globally. These deals are planned to be concluded before the end of this year.

In Europe the Group is focusing on increasing its Managed Services by targeting multinational clients to be serviced outside of the region through the relationship which the Group has with its partner's globally. The Group is also working on submitting the application for its Financial Institution Licence to be regulated under the German financial regulatory body (BaFin), targeting to obtain the licence by the end of this year. This step will bring the Group to the next level of its expansion. This will mean that the Group will be in a position to acquire the business of merchants, manage their settlement and funding and charge a percentage of the monetary value of the transaction versus the business model of Managed Services of today where the Group is charging a fixed amount per tranaction. For this business the Group is very well positioned due to its unique technology having one single platform covering both issuing and acquiring to service multinational retailers in order to consolidate their business globally providing them with access to their information in real time online for cross-omnichannel payments. The Group also identified a couple of target companies as a potential acquisition to augment services enabling it to support its acquiring business. The Group has signed a sponsorship agreement with a UK based Financial Service provider and will start rolling out these white label acquiring services by Q1 in 2020. First merchants have been identified and contractual negotiation is ongoing.

The Group is consistently expanding its network of partners to deliver its global acquiring solution. This includes partner banks, Independent Sales Organisations (ISOs), Independent Software Vendors (ISVs), Payment Facilitators (PayFacs), terminal providers and payment gateways across the globe with an initial focus on Europe and the US.

The Group is also building a strategic alliance with giant software and infrastructure solution providers to increase their global reach which will be translated into sales opportunities.

Related party transactions

Similar to what was reported in the financial statements for the year ended 31 December 2018, 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

Due to further substantial investment in infrastructure and business development, the Board is not declaring an interim dividend.

Approved by the Board of Directors on 28 August 2019 and signed on its behalf by:

Mario Schembri	Radi El Haj
Chairman	Director

RS2 Software p.l.c.

Statements of Financial Position

As at 30 June 2019

	The Group		The Company	
	30.06.19 Unaudited	31.12.18 Audited	30.06.19 Unaudited	31.12.18 Audited
	€	€	€	€
Assets				
Property, plant and equipment	12,854,251	9,357,510	8,788,456	8,369,225
Intangible assets	7,541,376	7,503,459	6,163,210	6,133,721
Investment in subsidiaries	-	-	12,573,216	9,836,399
Other investment	217,105	217,105	217,105	217,105
Loans receivables	780,941	-	816,165	810,592
Trade and other receivables	-	775,722	-	-
Total non-current assets	21,393,673	17,853,796	28,558,152	25,367,042
Trade and other receivables	7,342,715	1,555,170	2,215,401	1,140,058
Loans receivables	7,499	7,438	7,506	7,438
Prepayments	528,024	544,301	426,594	364,075
Accrued income and contract costs	2,148,656	4,653,542	3,741,453	4,689,437
Cash at bank and in hand	2,003,678	3,402,972	1,283,453	2,798,944
Total current assets	12,030,572	10,163,423	7,674,407	8,999,952
Total assets	33,424,245	28,017,219	36,232,559	34,366,994

RS2 Software p.l.c.

Statements of Financial Position

As at 30 June 2019

	The Group		The Company	
	30.06.19 Unaudited	31.12.18 Audited	30.06.19 Unaudited	31.12.18 Audited
	€	€	€	€
Equity				
Share capital	11,578,114	10,291,657	11,578,114	10,291,657
Reserves	(200,351)	(253,291)	(93,618)	(135,723)
Retained earnings	7,271,527	8,529,949	14,699,246	15,166,809
Total equity attributable to equity holders of the Company	18,649,290	18,568,315	26,183,742	25,322,743
Non-controlling interest	(1,610,302)	(1,336,130)	-	-
Total equity	17,038,988	17,232,185	26,183,742	25,322,743
Liabilities				
Bank borrowings	94,214	199,820	94,214	199,820
Lease Liabilities	3,166,430	-	469,757	-
Deferred tax liability	1,271,536	1,004,937	1,272,469	1,136,156
Employee Benefits	2,438,234	2,418,494	1,827,917	1,812,485
Derivatives	22,166	27,677	22,166	27,677
Total non-current liabilities	6,992,580	3,650,928	3,686,523	3,176,138
Bank borrowings	317,314	634,197	317,314	634,197
Trade and other payables	1,262,409	1,452,006	1,559,499	1,451,888
Lease Liabilities	335,028	-	24,890	-
Current tax payable	1,327,772	1,049,342	1,327,772	1,049,342
Accruals	1,860,956	1,208,419	686,188	569,698
Employee Benefits	1,027,188	693,392	111,422	111,422
Deferred income	3,262,010	2,096,750	2,335,209	2,051,566
Total current liabilities	9,392,677	7,134,106	6,362,294	5,868,113
Total liabilities	16,385,257	10,785,034	10,048,817	9,044,251
Total equity and liabilities	33,424,245	28,017,219	36,232,559	34,366,994

RS2 Software p.l.c.

Statements of Changes in Equity

For the six months ended 30 June 2019

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 2018 as previously reported	10,291,657	1,077	(94,544)	-	-	65,385	96,271	10,718,444	21,078,290	(357,876)	20,720,414
Adjustment on initial application of IFRS 15 (net of tax)	-	-	-	-	-	-	-	(4,039,190)	(4,039,190)	280	(4,038,910)
Adjustment on initial application of IFRS 9 (net of tax)	-	-	-	(87,193)	-	-	-	18,943	(68,250)	-	(68,250)
Adjusted Balance at 1 January 2018	10,291,657	1,077	(94,544)	(87,193)	-	65,385	96,271	6,698,197	16,970,850	(357,596)	16,613,254
Comprehensive income for the period											
Profit for the period	-	-	-	-	-	-	-	4,812,496	4,812,496	(206,621)	4,605,875
Foreign currency translation differences	-	-	(16,117)	-	-	-	-	-	(16,117)	47,186	31,069
Total other comprehensive income for the period	-	-	(16,117)	-	-	-	-	-	(16,117)	47,186	31,069
Total comprehensive income for the period	-	-	(16,117)	-	-	-	-	4,812,496	4,796,379	(159,435)	4,636,944
Transactions recorded directly in equity											
Employees Share benefits	-	-	-	-	-	50,000	-	-	50,000	-	50,000
Transactions with owners of the Company											
Dividend to equity holders	-	-	-	-	-	-	-	(2,504,303)	(2,504,303)	-	(2,504,303)
Balance at 30 June 2018	10,291,657	1,077	(110,661)	(87,193)	-	115,385	96,271	9,006,390	19,312,926	(517,031)	18,795,895
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
Comprehensive income for the period											
Profit for the period	-	-	-	-	-	-	-	20,140	20,140	(267,482)	(247,342)
Other comprehensive income											
Foreign currency translation differences	-	-	10,835	-	-	-	-	-	10,835	(6,690)	4,145
Total other comprehensive income for the period	-	-	10,835	-	-	-	-	-	10,835	(6,690)	4,145
Total comprehensive income for the period	-	-	10,835	-	-	-	-	20,140	30,975	(274,172)	(243,197)
Transactions recorded directly in equity											
Employees share benefits	-	-	-	-	-	50,000	-	-	50,000	-	50,000
	-	-	-	-		50,000	-	-	50,000	-	50,000
Transactions with owners of the Company											
Bonus Issue	1,286,457	-	-	-	-	-	-	(1,286,457)	-	-	-
Share Options exercised	-	-	-	-	-	-	(7,895)	7,895	-	-	-
Balance at 30 June 2019	11,578,114	1,077	(106,208)	(1,873)	(385,995)	215,385	77,263	7,271,527	18,649,290	(1,610,302)	17,038,988

RS2 Software p.l.c.

Statements of Changes in Equity

For the six months ended 30 June 2019

THE COMPANY

	Share capital €	Share premium €	Fair value reserve €	Other reserves €	Share Option reserve €	Employee Benefits Reserves €	Retained earnings €	Total €
Balance at 1 January 2018 as previously reported	10,291,657	1,077	-	65,385	96,271	-	16,453,444	26,907,834
Adjustment on initial application of IFRS 15 (net of tax)	-	-	-	-	-	-	(4,582,306)	(4,582,306)
Adjustment on initial application of IFRS9 (net of tax)	-	-	(87,193)	-	-	-	18,940	(68,253)
	10,291,657	1,077	(87,193)	65,385	96,271	-	11,890,078	22,257,275
Comprehensive income for the year (restated)								
Profit for the period	-	-	-	-	-	-	5,227,319	5,227,319
Total comprehensive income for the period	-	-	-	-	-	-	5,227,319	5,227,319
Transactions recorded directly in equity								
Employees share benefits	-	-	-	50,000	-	-	-	50,000
Discount unwind	-	-	-	-	-	-	(23,205)	(23,205)
	-	-	-	50,000	-	-	(23,205)	26,795
Transactions with owners of the Company								
Dividend to equity holders	-	-	-	-	-	-	(2,504,303)	(2,504,303)
Balance at 30 June 2018	10,291,657	1,077	(87,193)	115,385	96,271	-	14,589,889	25,007,086
Balance at 1 January 2019	**10,291,657**	**1,077**	**(1,873)**	**165,385**	**85,158**	**(385,470)**	**15,166,809**	**25,322,743**
Comprehensive income for the period								
Profit for the period	-	-	-	-	-	-	**826,186**	**826,186**
Transactions recorded directly in equity								
Employees share benefits	-	-	-	**50,000**	-	-	-	**50,000**
Discount unwind	-	-	-	-	-	-	**(15,187)**	**(15,187)**
	-	-	-	**50,000**	-	-	**(15,187)**	**34,813**
Transactions with owners of the Company								
Bonus issue	**1,286,457**	-	-	-	-	-	**(1,286,457)**	-
Dividend to equity holders	-	-	-	-	-	-	-	-
Share options exercised	-	-	-	-	**(7,895)**	-	**7,895**	-
	1,286,457	-	-	-	**(7,895)**	-	**(1,278,562)**	-
Balance at 30 June 2019	**11,578,114**	**1,077**	**(1,873)**	**215,385**	**77,263**	**(385,470)**	**14,699,246**	**26,183,742**

RS2 Software p.l.c.

Statements of Comprehensive Income

For the six months ended 30 June 2019

	Note	The Group 30.06.19 Unaudited	The Group 30.06.18 Unaudited	The Company 30.06.19 Unaudited	The Company 30.06.18 Unaudited
		€	€	€	€
Continuing Operations					
Revenue	7	11,219,122	15,592,978	9,097,768	14,134,556
Cost of sales		(7,142,887)	(6,324,750)	(6,266,662)	(5,074,706)
Gross profit		4,076,235	9,268,228	2,831,106	9,059,850
Other income		30,932	39,341	23,862	212,729
Marketing and promotional expenses		(956,876)	(491,278)	(324,039)	(346,915)
Administrative expenses		(3,176,276)	(2,175,603)	(1,714,462)	(1,547,420)
Capitalised development costs		414,302	664,209	414,302	664,209
Other expenses		(27,415)	58,635	20,016	(109,144)
Results from operating activities		360,902	7,363,532	1,250,785	7,933,309
Finance income		2,245	37,238	27,969	60,858
Finance costs		(65,418)	(34,305)	(37,797)	(34,296)
Net finance (cost)/income		(63,173)	2,933	(9,828)	26,562
Profit before income tax		297,729	7,366,465	1,240,957	7,959,871
Income tax expense		(545,071)	(2,760,590)	(414,771)	(2,732,552)
(Loss)/Profit for the period		(247,342)	4,605,875	826,186	5,227,319
Other comprehensive income					
Items that are or may be reclassified to profit or loss					
Foreign currency translation differences on foreign operations		4,145	31,069	-	-
Total comprehensive (loss)/income		(243,197)	4,636,944	826,186	5,227,319
Profit attributable to:					
Owners of the Company		20,140	4,812,496	826,186	5,227,319
Non-controlling interest		(267,482)	(206,621)	-	-
(Loss)/Profit for the period		(247,342)	4,605,875	826,186	5,227,319
Total comprehensive income attributable to:					
Owners of the Company		30,975	4,796,379	826,186	5,227,319
Non-controlling interest		(274,172)	(159,435)	-	-
Total comprehensive (loss)/income for the period		(243,197)	4,636,944	826,186	5,227,319
Earnings per share		€ 0.0001	€ 0.025	€ 0.0043	€ 0.027

RS2 Software p.l.c.

Statements of Cash flows

For the six months ended 30 June 2019

	The Group		The Company	
	30.06.19 Unaudited	30.06.18 Unaudited	30.06.19 Unaudited	30.06.18 Unaudited
	€	€	€	€
Cash flows from operating activities				
(Loss)/Profit for the period	(247,342)	4,605,875	826,186	5,227,319
Adjustments for:				
Depreciation	466,842	252,348	197,789	199,721
Amortisation of intangible assets	384,814	349,318	384,812	349,316
Capitalised development costs	(414,302)	(664,209)	(414,302)	(664,209)
Provision for impairment loss on receivables	27,690	144	-	144
Provision for expected credit losses	(43,000)	109,000	(43,000)	109,000
Interest payable	61,695	36,429	25,846	36,429
Interest receivable	(5,420)	(5,492)	(5,399)	(5,492)
Unwinding of post-employment benefits	19,741	16,441	15,433	12,186
Unwinding of discount on trade receivables and accrued income	-	-	(15,187)	(23,205)
Unwinding of amortisation on deposit	(414)	(321)	-	-
Income tax	545,071	2,760,590	414,771	2,732,552
Provision for exchange fluctuations	2,009	(25,646)	(3,184)	(29,211)
Employees share benefits	50,000	50,000	50,000	50,000
Changes in fair value of cash flow hedges	(5,511)	(13,249)	(5,511)	(13,249)
	841,873	7,471,228	1,428,254	7,981,301
Change in trade and other receivables	(3,992,304)	(4,456,894)	(144,016)	(3,879,768)
Change in trade and other payables	2,666,606	(3,553,310)	480,266	(3,764,845)
Change in parent company's balance	-	-	305,552	(192,929)
Change in other related entities' balance	(5,283)	-	-	-
Cash generated from operating activities	(489,108)	(538,976)	2,070,056	143,759
Interest paid	(58,863)	(37,619)	(26,454)	(37,619)
Interest received	206	303	195	303
Income taxes paid	(29)	(9,982)	(29)	(9,982)
Net cash (used in)/from operating activities	(547,794)	(586,274)	2,043,768	96,461
Cash flows from investing activities				
Acquisition of property, plant and equipment	(245,283)	(124,383)	(45,640)	(36,662)
Investment in subsidiaries	-	-	(25,000)	(25,000)
Advances to subsidiaries	-	-	(3,303,725)	(674,483)
Repayment of advances from subsidiaries	-	-	268,620	-
Net cash used in investing activities	(245,283)	(124,383)	(3,105,745)	(736,145)

RS2 Software p.l.c.

Statements of Cash flows

For the six months ended 30 June 2019

	The Group		The Company	
	30.06.19 Unaudited	30.06.18 Unaudited	30.06.19 Unaudited	30.06.18 Unaudited
	€	€	€	€
Cash flows from financing activities				
Dividends paid	(83)	(2,501,206)	(83)	(2,501,206)
Repayments of bank borrowings	(422,490)	(508,357)	(422,490)	(508,357)
Repayments of shareholder loans	-	(19,900)	-	-
Payment of lease liability	(173,463)	-	-	-
Advances from other related parties	7,474	-	(21,415)	-
Net cash used in financing activities	(588,562)	(3,029,463)	(443,988)	(3,009,563)
Net decrease in cash and cash equivalents	(1,381,639)	(3,740,120)	(1,505,965)	(3,649,247)
Cash and cash equivalents at 1 January	3,402,973	7,789,157	2,798,944	7,083,067
Effect of exchange rate fluctuations on cash held	(17,656)	20,564	(9,526)	8,424
Cash and cash equivalents at 30 June	2,003,678	4,069,601	1,283,453	3,442,244

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 2019 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 2018.

This is the first set of the Group's financial statements where IFRS 16 have been applied. 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 2018.

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2018.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2019.

The Group has initially adopted IFRS 16 *Leases* from 1 January 2019. A number of other new standards are effective from 1 January 2019 but the Group and the Company do not expect a material impact resulting from other standards and interpretations not included below.

4.1 IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease treatment when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of IFRS 16 for the Group and the Company will be 1 January 2019.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains substantially unchanged to the current standard – i.e. lessors continue to classify leases as finance or operating leases with additional disclosures being required.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

4 Significant accounting policies (continued)

4.1 IFRS 16 Leases (continued)

Impact of the new definition of a lease

The Group will make use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 has been applied to those leases entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:
– The right to obtain substantially all of the economic benefits from the use of an identified asset; and
– The right to direct the use of that asset.

The Group applied the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.

4.1.2 Impact on leases in which the Group is a lessee

Operating leases

IFRS 16 changed how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet. The Group recognised new assets and liabilities for its operating leases of office premises and the leasing of a server in relation to a combination of managed hosting services and a private cloud infrastructure. The nature of expenses related to those leases changed during 2019, as the Group started to recognise depreciation charge on the right-of-use assets and interest expense on lease liabilities.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

On initial application of IFRS 16, for all leases (except as noted below), the Group:
a) Recognised right-of-use assets and lease liabilities in the consolidated and the Company's statement of financial position, initially measured at the present value of the future lease payments;
b) Recognised depreciation of right-of-use assets and interest on lease liabilities in the consolidated and the Company's statement of profit or loss;
c) Split the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated and the Company's cash flow statement.

Lease incentives (e.g. rent-free period), were recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Group opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16 and no right-of-use asset will be recognised for these. This practical expedient was applied for the agreement which the Group is party with a computer hardware company to obtain a combination of managed hosting services and a private cloud.

The Group presents right-of-use assets in 'property, plant and equipment', the same line item as it presents underlying assets of the same nature it owns.

	Property, Plant and Equipment	
	Land and buildings	
	The Group	The Company
	€	€
Balance at 1 January 2019	3,673,447	529,771
Balance at 30 June 2019	3,495,963	512,286

Measurement and recognition of leases as a lessee

For leases, the Group recognises a right-of-use asset and a lease liability in line with IFRS 16 at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain re-measurement of the lease liability. When a right-of use asset meets the definition of investment property, if any, it is presented in investment property. The right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's accounting policies.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is re-measured when there is a change in the future lease payments arising from a change in an index rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

4 Significant accounting policies (continued)

4.1 IFRS 16 Leases (continued)

4.1.2 Impact on leases in which the Group is a lessee (continued)

Finance leases

The main differences between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that as part of its lease liability only the amount expected to be payable is recognised under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17.

On the basis that the Group and the Company does not have any finance leases as at 31 December 2018, this change will not have an impact on the Group's and the Company's financial statements.

Transition

The Group and the Company has applied IFRS 16 on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 was recognised as an adjustment to the opening of retained earnings at 1 January 2019, with no restatement of comparative information. The lease liability at 1 January 2019 was measured at the present value of remaing lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. The Group measured the right-of-use asset as being equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments required in the statement of financial position before the date of initial application, and therefore has no impact on its retained earnings on 1 January 2019 as a result of transitioning to IFRS 16.

In determining the incremental borrowing rate the below, assessments on the below were made:
• the amount of the funds 'borrowed'
• the economic environment: i.e. the jurisdiction and the time at which the lease is entered into, and the currency in which the lease payments are denominated
• the term of the arrangement: this will typically be the lease term, unless the lease payments are paid up-front
• the lessee: it is a company-specific rate
• the 'security' granted to the lessor: i.e. the nature and quality of the underlying asset.

Impacts on Transition

On adoption of IFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as at 1 January 2019. The weighted average rate applied to the lease liabilities on 1 January 2019 was 2.93%.The impact on transition is summarised below.

	1 January 2019	
	The Group	The Company
	€	€
Right-of-use asset presented in property, plant and equipment	3,673,447	529,771
Lease liabilities	3,624,413	516,062
Prepayments	49,033	13,709

	1 January 2019	
	The Group	The Company
	€	€
Operating lease commitments disclosed as at 31 December 2018 as disclosed in the Group's consolidated financial statements	433,261	5,100
Discounted using the incremental borrowing rate of at 1 January 2019	1,301,354	495,748
Add: lease liabilities recognised as at 31 December 2018	2,466,624	-
(Less): Exemption for short-term leases recognised on a straight-line basis as expense	(163,879)	-
Add: Adjustment as a result of a different treatment of extension and termination options	20,314	20,314
Lease liability recognised as at 1 January 2019	**3,624,413**	**516,062**

The associated right-of-use assets for leases were measured on a retrospective basis as if the new rules had always been applied. The recognised right-of-use assets relate to leased property.

Impacts for the period

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised €3,495,963 of right-of-use assets and €3,501,460 of lease liabilities as at 30 June 2019. As at 30 June 2019, the Company recognised €512,286 of right-of-use assets and €494,648 of lease liabilities.

Also in relation to those leases under IFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the six months ended 30 June 2019, the Group recognised €188,978 of depreciation charges and €42,333 of interest costs from these leases. The depreciation charges and interest costs recognised for the Company amount to €17,485 and €6,996 respectively.

Adjusted EBITDA, segment assets and segment liabilities for June 2019 all increased as a result of the change in accounting policy. Lease liabilities are now included in segment liabilities. The following segments were affected by the change in policy:

4 Significant accounting policies (continued)

4.1 IFRS 16 Leases (continued)

4.1.2 Impact on leases in which the Group is a lessee (continued)

	Adjustment EBITDA	
	The Group	The Company
	€	€
Property, plant and equipment	231,311	24,481

	Segment Assets			Segment Liabilities		
	Licensing	Processing	Total	Licensing	Processing	Total
	€	€	€	€	€	€
Property, plant and equipment	3,328,554	167,409	**3,495,963**	3,331,888	169,570	**3,501,458**

Earnings per share decreased by €0.001 for the Group and €0.0001 for the Company per share for the six months to 30 June 2019 as a result of the adoption of IFRS 16.

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.

6 Segment reporting

6.1 Information about the Group's reportable segments

	Licensing		Processing		Total	
	30.06.19	30.06.18	**30.06.19**	30.06.18	**30.06.19**	30.06.18
	Unaudited	Unaudited	**Unaudited**	Unaudited	**Unaudited**	Unaudited
	€	€	**€**	€	**€**	€
External revenues *	**7,119,349**	13,908,213	**4,099,773**	1,684,765	**11,219,122**	15,592,978
Inter-segment revenues	**2,061,302**	226,343	**-**	-	**2,061,302**	226,343
Segment Revenues	**9,180,651**	14,134,556	**4,099,773**	1,684,765	**13,280,424**	15,819,321
Reportable segment profit/ (loss) before income tax	**562,628**	7,886,299	**(338,231)**	(593,166)	**224,397**	7,293,133

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

	30.06.19	30.06.18
	Unaudited	Unaudited
	€	€
External revenues		
Total revenue for reportable segments *	**13,280,424**	15,819,321
Elimination of inter-segment transactions	**(2,061,302)**	(226,343)
Consolidated revenues	**11,219,122**	15,592,978
Reportable segment profit before income tax		
Total reportable segment profit for reportable segments	**224,397**	7,293,133
Elimination of inter-segment transactions	**73,332**	73,332
Consolidated reportable segment profit	**297,729**	7,366,465

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					
	Licensing		Processing		Total	
	30.06.19	30.06.18	**30.06.19**	30.06.18	**30.06.19**	30.06.18
	Unaudited	Unaudited	**Unaudited**	Unaudited	**Unaudited**	Unaudited
	€	€	**€**	€	**€**	€
Licence fees excluding customisation*	**538,824**	9,125,000	**-**	-	**538,824**	9,125,000
Service fees, transaction processing and customisation	**4,382,785**	3,224,316	**3,838,909**	1,652,835	**8,221,694**	4,877,151
Maintenance fees	**1,614,313**	1,170,509	**17,516**	13,290	**1,631,829**	1,183,799
Comprehensive packages	**357,000**	380,333	**-**	-	**357,000**	380,333
Re-imbursement of expenses	**226,426**	8,057	**243,349**	18,638	**469,775**	26,695
	7,119,348	13,908,215	**4,099,774**	1,684,763	**11,219,122**	15,592,978

Geographical markets	Licensing		Processing		Total	
	30.06.19	30.06.18	**30.06.19**	30.06.18	**30.06.19**	30.06.18
	Unaudited	Unaudited	**Unaudited**	Unaudited	**Unaudited**	Unaudited
	€	€	**€**	€	**€**	€
Europe *	**6,175,397**	13,651,519	**1,846,716**	1,632,790	**8,022,113**	15,284,309
Middle East	**390,700**	224,960	**105,102**	13,950	**495,802**	238,910
North America	**411,481**	-	**1,919,384**	13,545	**2,330,865**	13,545
South America	**-**	-	**91,638**	24,478	**91,638**	24,478
Asia	**141,770**	31,736	**136,934**	-	**278,704**	31,736
	7,119,348	13,908,215	**4,099,774**	1,684,763	**11,219,122**	15,592,978

Timing of revenue recognition	Licensing		Processing		Total	
	30.06.19	30.06.18	**30.06.19**	30.06.18	**30.06.19**	30.06.18
	Unaudited	Unaudited	**Unaudited**	Unaudited	**Unaudited**	Unaudited
	€	€	**€**	€	**€**	€
Transferred at a point in time *	**-**	8,800,000	**-**	-	**-**	8,800,000
Transferred over time**	**7,119,348**	5,108,215	**4,099,774**	1,684,763	**11,219,122**	6,792,978
	7,119,348	13,908,215	**4,099,774**	1,684,763	**11,219,122**	15,592,978

* Includes the release of deferred income as at 1 January 2018, amounting to €5.6m. Accordingly, the amount of €5.6m, which was already recognised in revenues prior to 1 January 2018 in terms of IAS 18, is recognised in revenues again in 2018 as a result of the adoption of IFRS 15.

** 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	
	30.06.19	31.12.18	**30.06.19**	31.12.18
	Unaudited	Audited	**Unaudited**	Audited
			€	€
Receivables, which are included in 'Trade and other receivables'	**7,342,715**	1,555,170	**2,215,401**	490,563
Contract assets	**486,305**	4,318,470	**3,245,264**	4,402,896
Contract liabilities	**(3,252,589)**	(2,049,643)	**(2,325,788)**	(2,004,459)

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 table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

	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 above also excludes fees from transaction processing services.

8 Property, plant and equipment

During the six months ended 30 June 2019, the Group acquired assets with a cost of €293,291 (six months ended 30 June 2018: €204,931). No assets were disposed of up to 30 June 2019 (six months ended 30 June 2018: no assets).

9 Intangible assets

During the six months ended 30 June 2019, the Group capitalised expenditure on the development of computer software amounting to €414,302 (six months ended 30 June 2018: €664,209).

10 Leases

Lease liabilities are presented in the statement of financial position within borrowings as follows:

	The Group	The Company
	30.06.19	30.06.19
	Unaudited	Unaudited
		€
Lease liabilities (current)	335,028	24,890
Lease liabilities (non-current)	3,166,430	469,757

The Group has leases for office premises in Gozo, Denver, Manila, Frankfurt and an apartment in Mosta. Future minimum lease payments at 30 June 2019 were as follows:

	The Group		
30 June 2019	Lease Payments	Finance charges	Net present values
	€	€	€
Less than one year	186,000	(37,312)	**148,688**
Between one and five years	930,000	(149,374)	**780,626**
More than five years	1,581,000	(101,861)	**1,479,139**
Total	2,697,000	(288,547)	**2,408,453**

	The Company		
30 June 2019	Lease Payments	Finance charges	Net present values
	€	€	€
Less than one year	38,609	(13,718)	**24,891**
Between one and five years	157,925	(61,427)	**96,498**
More than five years	454,680	(81,420)	**373,260**
Total	**651,214**	**(156,565)**	494,649

10 Leases (continued)

Lease payments not recognised as a liability

The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis.

The expense relating to payments not included in the measurement of a lease liability is as follows:

	30.06.19
	Unaudited
	€
Short-term leases	163,879

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				
30 June 2019	Mandatorily at FVTPL - others	FVOCI - equity instruments	Financial assets at amortised cost	Other financial liabilities	Total carrying amount
	€	€	€	€	€
Financial assets measured at fair value					
Other investment	-	217,105	-	-	217,105
	-	217,105	-	-	217,105
Financial assets not measured at fair value					
Trade and other receivables	-	-	7,342,715	-	7,342,715
Loans Receivable	-	-	7,499	-	7,499
Cash at bank	-	-	1,996,052	-	1,996,052
	-	-	9,346,266	-	9,346,266
Financial liabilities measured at fair value					
Derivatives	(22,166)	-	-	-	(22,166)
	(22,166)	-	-	-	(22,166)
Financial liabilities not measured at fair value					
Trade and other payables	-	-	-	(1,262,409)	(1,262,409)
Bank Borrowings	-	-	-	(411,528)	(411,528)
Accruals	-	-	-	(1,860,956)	(1,860,956)
	-	-	-	(3,534,893)	(3,534,893)

	Fair Value			
	Level 1	Level 2	Level 3	Total
	€	€	€	€
Financial assets measured at fair value				
Other investment	-	-	217,105	217,105
Financial assets not measured at fair value				
Trade and other receivables				
Loans Receivable				
Cash at bank				
Financial liabilities measured at fair value				
Derivatives	-	(22,166)	-	(22,166)
Financial liabilities not measured at fair value				
Trade and other payables				
Bank Borrowings	-	(411,528)	-	(411,528)
Accruals				

11 Financial instruments - Fair values and risk management (continued)

11.1 Accounting classifications and fair values (continued)

31 December 2018	Carrying Amount Mandatorily at FVTPL - others	FVOCI - equity instruments	Financial assets at amortised cost	Other financial liabilities	Total carrying amount
	€	€	€	€	€
Financial assets measured at fair value					
Other investment	-	217,105	-	-	217,105
	-	217,105	-	-	217,105
Financial assets not measured at fair value					
Trade and other receivables	-	-	1,555,170	-	1,555,170
Loans Receivable	-	-	7,438	-	7,438
Cash at bank	-	-	3,395,335	-	3,395,335
	-	-	4,957,943	-	4,957,943
Financial liabilities measured at fair value					
Derivatives	(27,677)	-	-	-	(27,677)
	(27,677)	-	-	-	(27,677)
Financial liabilities not measured at fair value					
Trade and other payables	-	-	-	(1,452,006)	(1,452,006)
Bank Borrowings	-	-	-	(834,017)	(834,017)
Accruals	-	-	-	(1,208,419)	(1,208,419)
	-	-	-	(3,494,442)	(3,494,442)

	Fair Value Level 1	Level 2	Level 3	Total
	€	€	€	€
Financial assets measured at fair value				
Other investment	-	-	217,105	217,105
Financial assets not measured at fair value				
Trade and other receivables				
Loans Receivable				
Cash at bank				
Financial liabilities measured at fair value				
Derivatives	-	(27,677)	-	(27,677)
Financial liabilities not measured at fair value				
Trade and other payables				
Bank Borrowings	-	(834,017)	-	(834,017)
Accruals				

11 Financial instruments - Fair values and risk management (continued)

11.1 Accounting classifications and fair values (continued)

THE COMPANY	Carrying Amount				
30 June 2019	Mandatorily at FVTPL - others	FVOCI - equity instruments	Financial assets at amortised cost	Other financial liabilities	Total carrying amount
	€	€	€	€	€
Financial assets measured at fair value					
Other investment	-	217,105	-	-	217,105
	-	217,105	-	-	217,105
Financial assets not measured at fair value					
Trade and other receivables	-	-	2,215,401	-	2,215,401
Loans Receivable	-	-	7,506	-	7,506
Cash at bank	-	-	1,276,974	-	1,276,974
	-	-	3,499,881	-	3,499,881
Financial liabilities measured at fair value					
Derivatives	(22,166)	-	-	-	(22,166)
	(22,166)	-	-	-	(22,166)
Financial liabilities not measured at fair value					
Trade and other payables	-	-	-	(1,559,499)	(1,559,499)
Bank Borrowings	-	-	-	(411,528)	(411,528)
Accruals	-	-	-	(686,188)	(686,188)
	-	-	-	(2,657,215)	(2,657,215)

	Fair Value			
	Level 1	Level 2	Level 3	Total
	€	€	€	€
Financial assets measured at fair value				
Other investment	-	-	217,105	217,105
Financial assets not measured at fair value				
Trade and other receivables				
Loans Receivable				
Cash at bank				
Financial liabilities measured at fair value				
Derivatives	-	(22,166)	-	(22,166)
Financial liabilities not measured at fair value				
Trade and other payables				
Bank Borrowings	-	(411,528)	-	(411,528)
Accruals				

11 Financial instruments - Fair values and risk management (continued)

11.1 Accounting classifications and fair values (continued)

31 December 2018	Carrying Amount Mandatorily at FVTPL - others	FVOCI - equity instruments	Financial assets at amortised cost	Other financial liabilities	Total carrying amount
	€	€	€	€	€
Financial assets measured at fair value					
Other investment	-	217,105	-	-	217,105
	-	217,105	-	-	217,105
Financial assets not measured at fair value					
Trade and other receivables	-	-	1,140,058	-	1,140,058
Loans Receivable	-	-	7,438	-	7,438
Cash at bank	-	-	2,792,451	-	2,792,451
	-	-	3,939,947	-	3,939,947
Financial liabilities measured at fair value					
Derivatives	(27,677)	-	-	-	(27,677)
	(27,677)	-	-	-	(27,677)
Financial liabilities not measured at fair value					
Trade and other payables	-	-	-	(1,451,888)	(1,451,888)
Bank Borrowings	-	-	-	(834,017)	(834,017)
Accruals	-	-	-	(569,698)	(569,698)
	-	-	-	(2,855,603)	(2,855,603)

	Fair Value Level 1	Level 2	Level 3	Total
	€	€	€	€
Financial assets measured at fair value				
Other investment	-	-	217,105	217,105
Financial assets not measured at fair value				
Trade and other receivables				
Loans Receivable				
Cash at bank				
Financial liabilities measured at fair value				
Derivatives	-	(27,677)	-	(27,677)
Financial liabilities not measured at fair value				
Trade and other payables				
Bank Borrowings	-	(834,017)	-	(834,017)
Accruals				

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 2019 and 31 December 2018 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
Other investment	*Discounted future cash flows:*	- Cash flow projections of the investee for a period up to 5 years (30 June 2019: range €0.8m to €5.5m)	The estimated fair value would increase (decrease) if:
	The valuation model considers the present value of future cash flows, as discounted at the market rate of interest at the reporting date	- Discount rate encompassing market risk premium and industry specific risk (30 June 2019: 14.37%, 31 December 2018: 14.37%)	- the expected cash flows were higher (lower); or - the risk-adjusted discount rate were lower (higher)
Derivatives	*Discounted future cash flows:* The valuation model considers the present value of future cash flows, as discounted at the applicable year end discount rate	Not applicable	Not applicable
Borrowings	*Discounted future cash flows:* 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 2019 and no transfers in either direction during the six months ended 30 June 2018.

11.2.3 Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

	FVOCI - Equity Instrument
Balance at 30 June 2018	131,785
IFRS 9 transition adjustment	85,320
Balance at 1 January 2019	217,105
Balance at 30 June 2019	**217,105**

11 Financial instruments - Fair values and risk management (continued)

11.2 Measurement of fair values (continued)

11.2.4 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:

The Group	€
Balance at 31 December 2018	146,550
Net remeasurement of loss allowance	(15,310)
Balance at 30 June 2019	131,240

The Company	€
Balance at 31 December 2018	119,219
Net remeasurement of loss allowance	(43,000)
Balance at 30 June 2019	76,219

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 2018, the Group and the Company had the following transactions with related parties:

	The Group		The Company	
	30.06.19	30.06.18	**30.06.19**	30.06.18
	Unaudited	Unaudited	**Unaudited**	Unaudited
	€	€	**€**	€
Key management personnel				
Dividend paid to	**-**	41,228	**-**	41,228
Parent company				
Interest charged to	**5,213**	5,213	**5,213**	5,213
Dividend paid to	**-**	1,253,232	**-**	1,253,232

12 Related parties (continued)

12.1 Related party transactions

	The Group		The Company	
	30.06.19	30.06.18	**30.06.19**	30.06.18
	Unaudited	Unaudited	**Unaudited**	Unaudited
	€	€	**€**	€
Subsidiaries				
Services provided to			**2,061,302**	170,949
Services provided by			**1,261,506**	258,110
Recharge of salaries			**137,324**	376,400
Recharge of overhead to			**129,670**	133,194
Recharge of salaries by			**57,347**	57,347
Other related entities				
Dividend paid to	**-**	457,036	**-**	457,036
Legal and administrative services provided by	**71,877**	46,346	**53,556**	46,346
Services provided by	**-**	751,331	**-**	722,995
Services provided to	**4,105,065**	2,010,637	**4,105,065**	2,010,637
Services not yet invoiced provided to	**547,646**	456,522	**547,646**	456,522
Services not yet invoiced provided by	**-**	(110,000)	**-**	(110,000)

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

12.2 Related party balances

	The Group		The Company	
	30.06.19	30.06.18	**30.06.19**	30.06.18
	Unaudited	Audited	**Unaudited**	Audited
	€	€	**€**	**€**
Amounts receivable				
Amounts owed by parent company	**780,935**	770,488	**780,935**	770,488
Amounts owed by subsidiary companies	**-**	-	**-**	753,826
Amounts owed by other related entities	**1,112,348**	342,550	**1,071,525**	342,550
Amounts payable				
Trade payables due to other related entities	**43,225**	12,534	**76,942**	16,136

RS2 Software p.l.c.

Statement pursuant to Listing Rule 5.75.3 issued by the Listing Authority

As at 30 June 2019

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 Statements), give a true and fair view of the financial position of the Group as at 30 June 2019, as well as the financial performance and cash flows for the period ended 30 June 2019; 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