



Harvest Technology plc
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COMPANY ANNOUNCEMENT

Harvest Technology plc

Approval of interim financial statements and declaration of interim dividend

Date of Announcement	28 July 2020
Reference No:	07/2020
Listing Rule:	5.16.4/5.16.20

QUOTE

Approval of interim financial statements

Further to the meeting of the Board of Directors of Harvest Technology p.l.c. (C 63276) (the “**Company**”) held today 28 July 2020, the Board of Directors of the Company approved the Company’s interim financial statements for the six-month period ended 30 June 2020. A copy of the Company’s interim financial statements is attached to the present company announcement and may also be viewed on the Company’s website on <https://harvest.tech/financial-statements/>

Interim dividend

The Board of Directors also announces that it has resolved to distribute an interim net dividend of €546,785 (subject to rounding), equivalent to €0.024 per share (having a nominal value of €0.50 per share) (the “**Dividend**”).

Shareholders of the Company appearing on the Company’s register of members maintained by the Central Securities Depository of the Malta Stock Exchange as at close of business on 31 July, 2020 shall be entitled to receive their respective share of the Dividend. Payment of the Dividend shall be effected by not later than 14 August 2020.

Update to the market

The Board of Directors notes with satisfaction that the unaudited consolidated Net Profit Before Tax of the Company and its subsidiaries (the “**Harvest Group**”) in H1, 2020 was €1,864,967, an improvement of 21% on the budget projection for H1 (€1,267,530) which constituted the first half of the annual projected consolidated Net Profit Before Tax of €3,124,000 for 2020 as detailed in the Prospectus published by the Company on 18 November 2019.



HARVEST

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Whilst the Harvest Group continues to seek alignment of its results with previously set budgetary targets for 2020, the Board of Directors remains conscious of the fact that, in the prevailing extraordinary circumstances, such targets may need to be revised depending on how the situation unfolds in the near future. The Board of Directors will endeavour to keep the market informed of developments relevant to the Harvest Group and the performance of its various business lines.

UNQUOTE

Dr Malcolm Falzon
Company Secretary

Harvest Technology p.l.c.

Interim Financial Report

For the period 1 January to 30 June 2020

Company Registration Number: C 63276

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Interim Directors' Report

Pursuant to Listing Rules 5.75.2 for period 1 January to 30 June 2020

Following the admission to listing of the issued share capital of the company as from 6 January 2020, the directors present the first interim report, together with the unaudited interim condensed financial statements ("the condensed interim financial statements") of the company and its subsidiaries (the "Group") for the period 1 January to 30 June 2020. The directors

Principal activities

The principal activity of the parent company is that of acting as a holding company. The Group is mainly involved in the sale, maintenance and servicing of information technology solutions, security systems, and to provide electronic payments solutions.

Business model

Harvest Technology p.l.c.'s business line in Malta is a multi-brand information technology solutions provider to businesses and the public sector. In addition, Harvest Technology p.l.c. Group is a payments solutions provider offering e-commerce processing services for retailers and internet-based merchants together with the provision of a wide range of automation and security solutions catering to the banking, retail, fuel distribution and other sectors.

Through the wide range of services and experience in technology, the Group is positioned to continue to develop and offer a broad range of state-of-the-art solutions, and assure an excellent quality of service to its customers.

Performance review

The published figures have been extracted from the unaudited management financial statements for the half-year ended 30 June 2020 and its comparative period in 2019.

The Group

During the period under review, the Group registered an operating profit of € 1,860,849 (1 January to 30 June 2019: € 1,485,811) on revenue of € 8,994,385 (1 January to 30 June 2019: € 7,529,550). After accounting for net finance costs and taxation, the Group registered a profit for the period of € 1,195,407 (1 January to 30 June 2019: € 953,398) against a projected profit for the period of € 1,010,442. The Group's net assets at 30 June 2020 amounted to € 11,138,514 (31 December 2019: € 10,353,416).

The first half of 2020 has been characterised by a strong performance of APCO Systems Limited through its position in the market as a leader of payment solutions to its growing client base and as a result of its diversification strategies. The results of the Group have also been supported by the overall good performance of PTL Limited. During the first six months of 2020, PTL Limited's business was strengthened by the commencement of its international project in Mauritius where the company is now in an advanced phase in the installation of that country's border security system. APCO Limited experienced a slowdown in product orders including COVID-19 related impact, compared to the prior period, whose business is mainly focused on on-going automation services.

Results and dividends

The results for the period ended 30 June 2020 are shown in the statements of profit or loss on page 4. The Group's profit for the period after taxation was € 1,195,407 (1 January to 30 June 2019: € 953,398).

During the period under review, the Company declared and paid a further dividend for the financial year ended 31 December 2019 of € 410,165 - € 0.018 per share. On 28 July 2020 the directors approved a net interim dividend of € 546,785 equivalent to € 0.024 per share.

Likely future business developments

The directors consider that the period-end financial position was satisfactory. However future performance might be negatively affected due to COVID-19 pandemic.

Effects of the Covid-19 pandemic

Following the outbreak of the Covid-19 pandemic, the directors have continued to actively monitor all developments currently taking place both locally and internationally in order to take any immediate action to safeguard the interest of the Group as necessary. Although the Group managed to improve on actual results of the previous reporting period and on budgeted figures, such events might still have an impact on the performance and financial position of the Group in the future due to any unforeseen effects that such pandemic might have on the economies and industries.

The results for the period 1 January to 30 June 2020 show that the Group has exceeded expectations. Whilst the situation remains fluid and future events may have an adverse effect on the Group's future profitability, liquidity and financial position, the outlook remains cautiously optimistic.

During the first few months of the year, the Group has, to a great degree, implemented a work-from-home approach in order to protect its staff from unnecessary travel and has required its workforce to use protective equipment in line with Government guidelines for essential on-site visits to customers due to the nature of its operations. This strategy proved to be successful with minimal disruptions to clients and other business partners. The Group has utilised the Government's wage supplement which has assisted in creating stability and peace of mind to its employees while at the same time giving management the ability to further invest in a safer work environment that will be beneficial to its workforce in the longer term.

Post balance sheet events

There have been no significant post interim balance sheet events.

Preparation of the Condensed Consolidated Interim Financial Statements

This report is being published in terms of the Listing Rule 5.75 of the Listing Rules issued by the Listing Authority, and has been prepared in accordance with the applicable listing Rules and International Accounting Standard 34 - Interim Financial Reporting. This half-yearly report comprises the reviewed (but not audited) condensed consolidated interim financial statements. The financial statements published in this half-yearly report have been condensed in accordance with the requirements of IAS 34. These financial statements have been reviewed in accordance with the requirements of ISRE 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. The comparative statements have been extracted from the audited financial statements for the year ended 31 December 2019 and the management accounts for the period ending 30 June 2019



Prof Juanito Camilleri
Chairman

Registered address:
Nineteen Twenty-Three
Valletta Road
Marsa MRS 3000
Malta

28 July 2020



Richard Abdilla Castillo
Director

Condensed Statement of Profit or Loss for the period ended 30 June 2020

	The group 1 January to 30 June 2020 (Unaudited) €	The group 1 January to 30 June 2019 (Unaudited) €
Revenue	8,994,385	7,529,550
Cost of sales	(4,996,722)	(4,075,018)
Gross profit	3,997,663	3,454,532
Other operating income	7,207	9,221
Administrative expenses	(2,144,021)	(1,977,942)
Operating profit	1,860,849	1,485,811
Government COVID-19 supplement	86,575	-
Finance income	821	5,033
Finance costs	(83,278)	(70,531)
Loss on disposal of subsidiary	-	(58,363)
Profit before tax	1,864,967	1,361,950
Tax expense	(669,560)	(408,552)
Profit for the year	1,195,407	953,398
Earnings per share	0.052	0.042

Condensed Statement of Financial Position at 30 June 2020

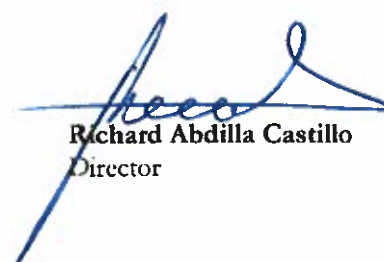
	Notes	The group 30 June 2020 (Unaudited) €	The group 31 December 2019 (Audited) €
Assets			
Non-current			
Goodwill	6	7,493,487	7,493,487
Intangible assets	7	1,316,476	1,215,923
Plant and equipment		226,307	248,224
Right-of-use assets	8	1,840,333	1,982,619
Other investments		50,000	50,000
Deferred tax assets		364,750	315,582
		11,291,353	11,305,835
Current			
Inventories		2,156,350	2,419,450
Contract assets		694,094	215,998
Other assets		84,889	109,219
Trade and other receivables	9	5,371,260	4,394,217
Current tax assets		276,716	403,424
Cash and cash equivalents	10	2,703,125	2,133,336
		11,286,434	9,675,644
Total assets		22,577,787	20,981,479

Condensed Statements of Financial Position at 30 June 2020 – continued

	Notes	The group 30 June 2020 (Unaudited) €	The group 31 December 2019 (Audited) €
Equity			
Share capital		11,390,318	11,390,318
Other equity		(2,821,365)	(2,821,365)
Retained earnings		2,569,561	1,784,463
Total equity		11,138,514	10,353,416
Liabilities			
Non-current			
Bank borrowings	11	50,000	100,000
Lease liabilities		1,602,055	1,722,647
Other financial liabilities		721,321	721,321
Deferred tax liabilities		339,534	338,924
		2,712,910	2,882,892
Current			
Bank borrowings	11	848,888	403,998
Lease liabilities		281,597	283,892
Trade and other payables	12	3,918,069	3,212,435
Contract liabilities		1,900,383	2,244,737
Other financial liabilities		500,000	1,000,000
Current tax liabilities		1,277,426	600,109
		8,726,363	7,745,171
Total liabilities		11,439,273	10,628,063
Total equity and liabilities		22,577,787	20,981,479



Prof Juanito Camilleri
 Chairman



Richard Abdilla Castillo
 Director

Statement of changes in equity

	Share capital	Other equity	Retained earnings	Total equity
	€	€	€	€
At 1 January 2019	11,390,318	(2,821,365)	645,959	9,214,912
Profit for the period	-	-	953,398	953,398
Total comprehensive income	-	-	953,398	953,398
At 30 June 2019	11,390,318	(2,821,365)	1,599,357	10,168,310
At 1 January 2020	11,390,318	(2,821,365)	1,784,463	10,353,416
Dividends	-	-	(410,309)	(410,309)
Transactions with owners	-	-	(410,309)	(410,309)
Profit for the period	-	-	1,195,407	1,195,407
Total comprehensive income	-	-	1,195,407	1,195,407
At 30 June 2020	11,390,318	(2,821,365)	2,569,561	11,138,514

Condensed Statements of Cash Flows for the period ended 30 June 2020

	The group 1 January to 30 June 2020 Unaudited €	The group 1 January to 30 June 2019 Unaudited €
Operating activities		
Profit before tax	1,864,967	1,361,950
Adjustments	573,618	788,245
Net changes in working capital	(940,618)	(1,221,973)
Tax paid	(103,171)	(87,536)
Tax refunded	189,077	143,228
Net cash generated from operating activities	1,583,873	983,914
Investing activities		
Payments to acquire property, plant and equipment	(17,971)	(12,092)
Payments to acquire intangible assets	(264,995)	(166,145)
Cash transferred upon disposal of subsidiary	-	(4,531)
Proceeds from sale of subsidiaries	-	94,455
Net cash used in investing activities	(282,966)	(88,313)

Statements of Cash Flows for the period ended 30 June 2020 – continued

	The group 1 January to 30 June 2020 Unaudited €	The group 1 January to 30 June 2019 Unaudited €
Financing activities		
Payments for lease obligations	(143,045)	(107,744)
Interest paid on leasing arrangements	(38,498)	(40,713)
Movement in other financial liabilities	(500,000)	(836,652)
Proceeds from bank loan	446,510	-
Repayment of bank loan	(50,000)	(50,000)
Interest received	-	20,462
Interest paid on other financial liabilities	(34,157)	(17,312)
Dividends paid	(410,308)	-
Net cash used in financing activities	(729,498)	(1,031,959)
Net change in cash and cash equivalents	571,409	(136,358)
Cash and cash equivalents, beginning of period	1,829,338	255,418
Cash and cash equivalents, end of period	2,400,747	119,060

Notes to the financial statements

1 Nature of operations

The principal activities of the Group are the sale, maintenance and servicing of information technology solutions, security systems and operates an electronic payment gateway.

2 General information and basis of preparation

The company was incorporated on 23 December 2013 as a holding company. The registered address and principal place of business of the company is Nineteen Twenty-Three, Valletta Road, Marsa MRS 3000, Malta.

The condensed consolidated interim financial statements as at end of 30 June 2020 has been prepared in accordance with International Financial Reporting Standards as adopted by the EU applicable to interim financial reporting (International Accounting Standard 34, "Interim Financial Reporting"). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with IFRS as adopted by the EU.

3 New or revised Standards or Interpretations

3.1 New standards, amendments and interpretations adopted as at 1 January 2020

The Group has adopted new standards or amendments that became effective on 1 January 2020 but did not have any significant impact on the Group's results or financial position as follows:

- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Conceptual Framework for Financial Reporting

3.2 Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Group

Several new, but not yet effective, standards, amendments to existing standards, and interpretations have been published by the IASB. None of these standards, amendments or Interpretations have been adopted early by the Group.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New standards, amendments and interpretations neither adopted nor listed by the Group have not been disclosed as they are not expected to have a material impact on the Group's financial statements.

4 Segment reporting

The Group operates two business activities which are the sale of payment processing services and the provision of IT solutions and security systems. Each of these operating segments is managed separately as each of these lines requires different resources. All inter segment transfers for management services are carried out on a cost basis.

The accounting policy for identifying segments is based on internal management reporting information that is regularly reviewed by management.

Revenue reported below represents revenue generated from external customers. There were no intersegment sales in the year. The Group's reportable segments under IFRS 8 are direct sales attributable to each line of business.

The sale of payment processing services and the provision of IT solutions and security systems are derived from Malta, EU and non-EU countries.

In 2019, the Group did not have any other clients which individually represented 10% or more of the total revenue of the Group.

During 2020, the Group had one significant contract which generated revenue of € 1,872,298 and which accounted for 21% of the Group's revenue for the period ended 30 June 2020. This contract comprises of the installation of the Mauritius border security system.

As at the end of the reporting period the total amount of intangible assets (including goodwill) and plant and equipment amounted to € 8,809,963 - unaudited (31 December 2019: € 8,709,410 - audited) and € 226,307 - unaudited (31 December 2019 -audited: € 248,224) respectively.

Measurement of operating segment profit or loss, assets and liabilities

Segment profit represents the profit earned by each segment after allocation of central administration costs and finance costs based on services and finance provided. This is the measure reported to management for the purposes of resource allocation and assessment of segment performance.

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Reconciliations of reportable segment revenues, profit or loss, assets and liabilities to consolidated totals are reported below:

Profit and loss before tax

	1 January to 30 June 2020 (Unaudited) €	1 January to 30 June 2019 (Unaudited) €
Total profit for reportable segments	2,088,694	1,695,500
Unallocated amounts:		
Other unallocated amounts	(223,727)	(333,550)
	<u>1,864,967</u>	<u>1,361,950</u>

Assets

	30 June 2020 (Unaudited) €	31 December 2019 (Audited) €
Total assets for reportable segments	14,610,745	13,068,457
Elimination of receivables	(1,761,515)	(1,714,760)
Unallocated amounts:		
Plant and equipment	2,970	176
Goodwill	7,493,487	7,493,487
Intangible assets	10,137	-
Other investments	50,000	50,000
Loans and receivables	1,100,211	1,284,588
Trade and other receivables	14,953	52,829
Cash and cash equivalents	674,399	236,709
Deferred tax	105,684	106,569
Current tax asset	276,716	403,424
	<u>22,577,787</u>	<u>20,981,479</u>

Liabilities

	30 June 2020 (Unaudited) €	31 December 2019 (Audited) €
Total liabilities for reportable segments	11,635,062	10,550,425
Elimination of liabilities	(1,761,515)	(1,714,760)
Unallocated amounts:		
Trade and other payables	94,405	71,077
Other financial liabilities	1,471,321	1,721,321
	<u>11,439,273</u>	<u>10,628,063</u>

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For the period 1 January to 30 June 2020**

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The Group's revenue and results from continuing operations from external customers and information about its assets and liabilities by reportable segment are detailed below:

	Payment processing services €	Retail and IT solutions €	Total €	Unallocated €	Eliminations and adjustments €	Consolidated €
1 January to 30 June 2020						
Revenue	3,780,326	5,991,195	9,771,521	195,954	(973,090)	8,994,385
Profit before tax	1,927,043	161,651	2,088,694	1,117,253	(1,340,980)	1,864,967
Depreciation and amortisation	190,696	186,774	377,470	2,800	(13,498)	366,772
Income tax expense	674,473	56,570	731,043	393,139	(454,622)	669,560
Segment assets	4,864,667	9,746,079	14,610,746	13,464,685	(5,497,644)	22,577,787
Capital expenditure	215,634	51,601	267,235	15,730	-	282,965
Segment liabilities	2,783,252	8,851,811	11,635,063	1,565,725	(1,761,515)	11,439,273
1 January to 30 June 2019						
Revenue	2,954,890	5,147,206	8,102,096	181,570	(754,116)	7,529,550
Profit before tax	1,522,933	172,567	1,695,500	374,108	(707,658)	1,361,950
Depreciation and amortisation	157,142	160,041	317,183	5,722	(13,498)	309,407
Income tax expense	543,483	58,823	602,306	130,938	(324,692)	408,552
Segment assets	4,077,031	8,991,426	13,068,457	2,257,687	5,655,335	20,981,479
Capital expenditure	161,501	-	161,501	-	-	161,501
Segment liabilities	2,348,186	8,202,239	10,550,425	1,792,398	(1,714,760)	10,628,063

5 Dividends

A net further dividend of € 410,165 (€ 0.018 per share) was paid on 15 May 2020 in addition to a net interim dividend of € 950,000 (€ 0.0417 per share) paid in the latter part of 2019 (1 January to 30 June 2019: €Nil).

On 28 July 2020 the directors approved a net interim dividend of € 546,785 equivalent to € 0.024 per share.

6 Goodwill

The movements in the carrying amount of goodwill are as follows:

	The group €
At 1 January 2019	7,493,487
At 31 December 2019	<u>7,493,487</u>
At 1 January 2020	7,493,487
At 30 June 2020	<u>7,493,487</u>
Carrying amount	
At 31 December 2019	<u>7,493,487</u>
At 30 June 2020	<u>7,493,487</u>

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Group's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

Determining whether the carrying amounts of these assets can be realised requires an estimation of the recoverable amount of the cash generating units. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value.

Goodwill arising on a business combination is allocated, to the cash-generating units ("CGUs") that are expected to benefit from that business combination.

At 30 June 2020, goodwill was allocated as follows:

- € 3,357,248 (31 December 2019: € 3,357,248) to APCO Systems Limited which operates the electronic payment gateway.
- € 2,671,762 (31 December 2019: € 2,671,762) to APCO Limited which operates in the business of selling and maintenance of IT solutions and security systems.
- € 1,464,477 (31 December 2019: € 1,464,477) to PTL Limited business.

CGU – Payment Processing Services

The recoverable amount of the CGUs is determined from the value in use calculation. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. The directors estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The assessment of recoverability of the carrying amount of goodwill and intangible assets with indefinite useful life includes:

- forecasted cash flow projections for the next three years and projection of terminal value using the perpetuity method;
- growth rates to perpetuity of 0.18% - 30 June 2020 (31 December 2019: 0.26%); and
- use of 16.2% (pre-tax) - 30 June 2020 (31 December 2019: 14.5% - pre-tax) to discount the projected cash flows to net present values.

Based on the above assessment, the directors expect the carrying amount of goodwill and intangible assets with an indefinite useful life to be recoverable.

CGU – IT Solutions and Security Systems

The recoverable amount of the CGUs is determined from the value in use calculation. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. The directors estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The assessment of recoverability of the carrying amount of goodwill and intangible assets with indefinite useful life includes:

- forecasted cash flow projections for the next three years and projection of terminal value using the perpetuity method;
- growth rates to perpetuity of 0.18% - 30 June 2020 (31 December 2019: 0.26%); and
- use of 15.9% - 18.6% (pre-tax) for 30 June 2020 (31 December 2019: 13.9% - 17.1%) to discount the projected cash flows to net present values

Based on the above assessment, the directors expect the carrying amount of goodwill and intangible assets with an indefinite useful life to be recoverable.

7 Intangible assets

	Total €
Gross carrying amount	
At 1 January 2019	1,961,093
Additions	317,455
Disposal upon sale of subsidiary	(104,903)
At 31 December 2019	<u>2,173,645</u>
Gross carrying amount	
At 1 January 2020	2,173,645
Additions	264,995
At 30 June 2020	<u>2,438,640</u>
Amortisation	
At 1 January 2019	711,192
Provision for the year	281,384
Released upon sale of subsidiary	(34,854)
At 31 December 2019	<u>957,722</u>
At 1 January 2020	957,722
Provision for the period	164,442
At 30 June 2020	<u>1,122,164</u>
Carrying amount	
At 31 December 2019	<u>1,215,923</u>
At 30 June 2020	<u>1,316,476</u>

The amortisation charge was included in administrative expenses.

Intangible assets include the payment gateway together with development costs, software, licences etc.

8 Right-of-use assets

The following assets have been recognised as right-of-use assets of the Group:

The group	Buildings €	Motor vehicles €	Total €
Gross carrying amount			
Adjustment on transition to IFRS 16 at 1 January 2019	1,870,349	346,481	2,216,830
Additions	-	76,633	76,633
At 31 December 2019	1,870,349	423,114	2,293,463
At 1 January 2020	1,870,349	423,114	2,293,463
Additions	-	20,156	20,156
At 30 June 2020	1,870,349	443,270	2,313,619
Depreciation			
Provision for the year	224,738	86,106	310,844
At 31 December 2019	224,738	86,106	310,844
At 1 January 2020	224,738	86,106	310,844
Provision for the period	112,275	50,167	162,442
At 30 June 2020	337,013	136,273	473,286
Carrying amount			
At 31 December 2019	1,645,611	337,008	1,982,619
At 30 June 2020	1,533,336	306,997	1,840,333

The depreciation charge on right-of-use assets was included in administrative expenses.

The information pertaining to the gross carrying amount, depreciation recognised during the period/year and other movements in right-of-use assets is included in the above table.

On transition to IFRS 16, the weighted average incremental borrowing rate applied to lease liabilities was 3.93%. The transition date was 1 January 2019. At this date, the Group had elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition. All additions to right-of-use assets during 2019 have been recognised using the same rate of 3.93% as there were no changes in the such rate on the date when the new leases came into effect. This rate was also applied to new additions to right-of-use assets during 2020 as there were no significant changes to the discount rate used by the Group since most of the leased assets are with related parties and market conditions surrounding such rentals have not changed significantly. The incremental borrowing rate will be re-assessed every time a new lease is entered into by the Group and the corresponding right-of-use asset recognised. New leases are assessed on a case-by-case basis.

On transition to IFRS 16, the Group had applied a single discount rate to its leases on buildings as these have reasonably similar characteristics. These comprise mainly of the company's office space and car park lease. The Group has also applied the same discount rate on motor vehicles on 1 January 2019 as the effect of applying different discount rates on a case-by-case basis would be insignificant.

The Group does not have any other short-term leases (leases with an effected term of 12 months or less) and leases of low-value underlying assets and variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of Group sales). The Group classifies its right-of-use assets in a consistent manner to its plant and equipment as applicable.

9 Trade and other receivables

Trade and other receivables consist of the following:

	30 June 2020 (Unaudited) €	31 December 2019 (Audited) €
Trade receivables – gross	4,478,037	4,508,353
Allowance for expected credit losses	(256,771)	(269,158)
Trade receivables – net	4,221,266	4,239,195
Amounts owed by parent company	-	654
Other receivables	771,838	86,334
Amounts owed by other related parties	174,535	52,219
Financial assets	5,167,439	4,378,402
Other receivables	203,821	15,815
Trade and other receivables – current	5,371,260	4,394,217

The carrying value of financial assets is considered a reasonable approximation of fair value.

No interest is charged on trade and other receivables.

Amounts owed by ultimate parent and other related parties are unsecured, interest free and repayable on demand.

10 Cash and cash equivalents

Cash and cash equivalents include the following component:

	30 June 2020 (Unaudited) €	31 December 2019 (Audited) €
Cash and bank balances	2,703,125	2,133,336
Cash and cash equivalents in the statements of financial position	2,703,125	2,133,336
Bank overdrafts	(302,378)	(303,998)
Cash and cash equivalents in the statements of cash flows	2,400,747	1,829,338

The Group did not have any restrictions on its cash at bank as at the end of the reporting period. Any interest earned on cash at bank is based on market rates.

11 Bank borrowings

	30 June 2020 (Unaudited) €	31 December 2019 (Audited) €
Bank overdrafts	302,378	303,998
Bank loans	596,510	200,000
	<u>898,888</u>	<u>503,998</u>
Comprising:		
Non-current liabilities		
Bank loans	50,000	100,000
	<u>50,000</u>	<u>100,000</u>
Current liabilities		
Bank overdrafts	302,378	303,998
Bank loans	546,510	100,000
	<u>848,888</u>	<u>403,998</u>

The Group has three overdraft facilities in two of its subsidiaries. One of the overdraft facilities bears interest at 4.85% per annum and is secured by a second general hypothec over one of the subsidiaries' assets. The other overdraft facility available to the same subsidiary bears interest at 5.5% per annum and is unsecured. The Group has another bank overdraft in another subsidiary which bears interest at 3.5% per annum and is secured by a first general hypothec over the assets of that subsidiary.

Bank overdrafts and loans are repayable as follows:

	The group 30 June 2020 (Unaudited) €	The group 31 December 2019 (Audited) €
On demand or within one year	848,888	403,998
In the second year	50,000	100,000
	<u>898,888</u>	<u>503,998</u>

The bank loan at 31 December 2019 bears interest of 3.5% per annum, is repayable by quarterly instalments of € 25,000 and payable in full by 31 December 2021. It is secured by a first general hypothec over the assets of Ipsyon Limited and an assignment of royalties receivable.

During 2020, PTL Limited entered into a new general banking facility agreement with one of the local banks to finance its overseas project in Mauritius. The facility amounted to € 3,894,000 and comprises of guarantees issued in favour of a third party and other lines of credit. At 30 June 2020, this subsidiary utilised € 1,394,000 in guarantees in favour of such third party as well as a US\$ 500,000 loan issued to the entity (equivalent to € 446,510 and still outstanding at 30 June 2020 as disclosed above). The facility bears interest at 2.5% per annum over 3-month LIBOR, amounts outstanding repayable in full by 15 December 2020 and is secured to the extent of € 2,970,300 by Harvest Technology plc and the remainder by PTL Limited.

12 Trade and other payables

	30 June 2020 (Unaudited) €	31 December 2019 (Audited) €
Trade payables	1,322,547	1,392,106
Amounts payable to related parties	28,419	6,196
Other payables	9,677	40,982
Accrued expenses	1,542,119	1,131,579
Financial liabilities	2,902,762	2,570,863
Other creditors	1,015,307	641,572
Trade and other payables - current	3,918,069	3,212,435

The carrying values of financial liabilities are considered to be a reasonable approximation of fair value.

No interest is charged on trade and other payables.

13 Related party transactions

Harvest Technology p.l.c. is the parent company of the Group comprising PTL Limited, APCO Limited, APCO Systems Limited and Ipsyon Limited. The majority shareholder of Harvest Technology p.l.c. is 1923 Investments p.l.c. which is incorporated in Malta which is in turn owned by Hili Ventures Limited. The registered office of 1923 Investments p.l.c. and Hili Ventures Limited, is Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000, Malta.

During the year under review, the Group entered into transactions with related parties as set out below:

	<u>1 January to 30 June 2020</u>			<u>1 January to 30 June 2019</u>		
	(Unaudited)		%	(Unaudited)		%
Related party activity	Total activity			Related party activity	Total activity	
Unaudited	Unaudited		Unaudited	Unaudited		
	€	€	€	€	€	%
Revenue:						
Related party transactions with:						
Ultimate parent	8,703			2,598		
Parent company	132,230			2,521		
Other related parties	78,175			75,289		
	<u>219,108</u>	<u>8,994,385</u>	<u>2.44%</u>	<u>80,408</u>	<u>7,529,550</u>	<u>1.07%</u>
Cost of sales:						
Related party transactions with:						
Ultimate parent	-			-		
Parent company	-			-		
Other related parties	9,116			6,667		
	<u>9,116</u>	<u>4,996,722</u>	<u>0.18%</u>	<u>6,667</u>	<u>4,075,018</u>	<u>0.16%</u>
Administrative expenses:						
Related party transactions with:						
Ultimate parent	122			7,090		
Parent company	6,345			459,509		
Other related parties	10,461			66,252		
	<u>16,928</u>	<u>2,144,021</u>	<u>0.79%</u>	<u>532,851</u>	<u>1,977,942</u>	<u>26.94%</u>
Finance income:						
Related party transactions with:						
Parent company	-			2,219		
Ultimate parent	-			2,181		
	<u>-</u>	<u>821</u>	<u>0.00%</u>	<u>4,400</u>	<u>5,033</u>	<u>87.42%</u>
Finance cost:						
Related party transactions with:						
Parent company	34,158			6,441		
Other related parties	31,954			42,135		
	<u>66,112</u>	<u>83,278</u>	<u>79.39%</u>	<u>48,576</u>	<u>70,531</u>	<u>68.87%</u>

Other related parties consist of related parties other than the parent, entities with joint control or significant influence over the company, subsidiaries, joint ventures in which the company is a venture and key management personnel of the company or its parent company.

The directors consider the ultimate beneficiary owner to be Carmelo Hili, the indirect owner of more than 50% of the issued share capital of Hili Ventures Limited.

14 Financial instrument risk

Risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments.

The Group's risk management is coordinated by the directors and focuses on actively securing the Group's short to medium term cash flows by minimising the exposure to financial risks.

The objectives, policies and processes for managing financial risks and the methods used to measure such risks are subject to continual improvement and development. Where applicable, any significant changes in the Group's exposure to financial risks or the manner in which the Group manages and measures these risks are disclosed below. Any re-assessment of risk considered by management to be of significance has been disclosed in the appropriate risk analysis below.

14.1 Market risk analysis

Foreign currency risk

Foreign currency transactions arise when the Group buys or sells goods or services whose price is denominated in a foreign currency, borrows or lends funds when the amounts payable or receivable are denominated in a foreign currency or acquires or disposes of assets, or incurs or settles liabilities, denominated in a foreign currency. Foreign currency transactions comprise mainly transactions in USD and GBP.

The Group is not expected to have significant movements on exchange as it continues to monitor and manage its risks closely to minimise any impact from currency movements. In view of the Group's significant transactions being carried out in the US Dollar on one of its international projects, it matches inflows and outflows using the US Dollar to minimise the impact of currency movements on its financial performance and cash flows. As a result, management does not expect to have significant currency movements on such transactions.

Interest rate risk

The Group has loans and receivables and other financial liabilities with a fixed coupon. The Group also has cash at bank which is not subject to significant fluctuations in interest rates. During 2020, the Group has taken out an additional interest bearing facility as disclosed in note 11. This loan is expected to be settled in full in the short-term and by no later than 15 December 2020. The interest rates on all of the Group's bank borrowings and the terms of such borrowings are disclosed accordingly within such note.

As a result, the Group is not exposed to significant interest rate risk as most of its interest bearing receivables and payables are either subject to a fixed interest rate or to a rate which is not considered by management to be subject to significant fluctuations until full settlement of the borrowings, which comprise mainly borrowings from bank.

14.2 Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to credit risk from financial assets including cash and cash equivalents held at banks, loans and receivables, trade and other receivables.

Credit risk management

The credit risk is managed both at the level of each individual subsidiary as well as on a Group basis, based on the Group's credit risk management policies and procedures.

Loans and receivables and certain trade receivables comprise amounts due from related parties. The Group and company's concentration to credit risk arising from these receivables are considered limited as there were no indications that these counterparties are unable to meet their obligations. Management considers these to be of good credit quality.

The Group and the company hold money exclusively with institutions having high quality external credit ratings. The cash and cash equivalents held with such banks at 30 June 2020 and 31 December 2019 are callable on demand. One of the banks with whom cash and cash equivalents are held forms part of an international Group with an A credit rating by Standard and Poor's and similar high ratings by other agencies. The Group also holds cash with a local bank having a credit rating of BBB- by Standard and Poor's. Cash held by the Group with other local banks for which no credit rating is available are not significant. Management considers the probability of default from such banks to be close to zero and the amount calculated using the 12-month expected credit loss model to be very insignificant. Therefore, based on the above, no loss allowance has been recognised by the Group and the company. The Group has also considered the financial position of institutions with whom the Group holds significant cash to determine whether the impact of Covid-19 has increased the likelihood of default which may pose significant risks on the Group's cash held with them. The Group has determined that such financial institutions do not pose a significant risk on the recoverability on the Group's cash resources.

The Group assesses the credit quality of its customers by taking into account their financial standing, past experience and other factors, such as bank references and the customers' financial position.

Management is responsible for the quality of the Group's credit portfolios and has established credit processes involving delegated approval authorities and credit procedures, the objective of which is to build and maintain assets of high quality.

Individual risk limits are set in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Each new individual customer is analysed individually for creditworthiness before the company's standard payment and delivery terms and conditions are offered. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from management. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group's policy is to deal only with credit worthy counterparties. The credit terms is generally between 30 and 90 days. The credit terms for customers as negotiated with customers are subject to an internal approval process as abovementioned. The ongoing credit risk is managed through regular review of ageing analysis, together with credit limits per customer.

Trade receivables consist of a large number of customers in various industries and mainly in Malta.

The Expected Credit Loss (ECL) at 30 June 2020 was estimated based on a range of forecast economic scenarios as at that date, including management's assessment of any impact from the effects of Covid-19 on the Group as explained further below.

Trade receivables

The Group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers.

The expected loss rates are based on the payment profile for sales over the past 36 months before 30 June 2020 and 31 December 2019 respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forward looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. The Group has identified gross domestic product (GDP) and unemployment rates of the countries in which the customers are domiciled to be the most relevant factors and accordingly adjusts historical loss rates for expected changes in these factors. However given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

In addition to the above assessments on the recoverability and expected credit loss provisions on trade and other financial assets, the Group has considered the effects of Covid-19 on the economies in which its customers are based, including Malta and the Mauritius, where significant business is being conducted. It has also taken into consideration the financial position of, and risk exposure to, large customers in order to determine whether the Group's credit risk has increased as a result of the pandemic. There are no particular indicators that suggest that the assessment of the expected credit risk model adopted by the Group materially varies from expectations of collectability and previous patterns of payments from such customers. Furthermore, subsequent to the end of the reporting period, the Group has received a significant amount of collections from due balances outstanding at 30 June 2020. While the Group continues to closely monitor all of its financial assets at more frequent intervals as a result of such events, management considers that the level of ECL provisions at period end remains adequate.

14.3 Liquidity risk

The Group's exposure to liquidity risk arises from its obligations to meet its financial liabilities, which comprise bank borrowings, trade and other payables and other financial liabilities. Prudent liquidity risk management includes maintaining sufficient cash to ensure the availability of an adequate amount of funding to meet the Group's and company's obligations when they become due.

Management considers that the Group is not exposed to a significant amount of liquidity risk as it continues to efficiently manage its liquidity needs on a timely basis, even with the onset of the Covid-19 pandemic. The Group has not encountered any particular difficulties to collect amounts due from customers and collections remain within expectations as explained above.

14.4 Financial instruments measured at fair value

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability.

At 30 June 2020 and 31 Decmebr 2019, the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively approximated their fair values due to the short-term maturities of these assets and liabilities.

The fair values of non-current financial liabilities and the non-current loans and receivables are not materially different from their carrying amounts due to the fact that the interest rates are considered to represent market rates at the year-end or because they are repayable on demand. The fair values of the financial assets and financial liabilities included in the level 2 category above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the company and the Group determine when transfers are deemed to have occurred between Levels in the hierarchy at the end of each reporting period.

15 Contingent liabilities and guarantees

At 30 June 2020, one of the Group's subsidiaries had issued guarantees amounting to € 700,000 (at 31 December 2019: € 600,000) in relation to bank facilities granted to related undertakings. The same subsidiary also had guarantees amounting to € 225,300 granted to third parties as collateral for liabilities.

During 2020, the same subsidiary entered into a new general banking facility agreement with one of the local banks to finance its overseas project in Mauritius. Details of guarantees and security given are disclosed in note 11.

Statement Pursuant to Listing Rules 5.75.3 issued by the Listing Authority for the period 1 January to 30 June 2020

We confirm that to the best of our knowledge:

- a) the condensed interim financial statements give a true and fair view of the financial position of Harvest Technology p.l.c. (the “company”) and its subsidiaries (the “Group”) as at 30 June 2020, and the financial performance and cash flows of the company and the Group for the half year then ended, which have been prepared in accordance with International Financial Reporting Standards as adopted by the IFRS applicable to interim financial reporting (International Accounting Standard 34 – Interim Financial Reporting); and

- b) the interim Directors’ report includes a fair review of the information required in terms of Listing Rules 5.81 to 5.84.

Approved by the Board of Directors on 28 July 2020 and signed on its behalf by:



Prof Juanito Camilleri
Chairman

Registered address:
Nineteen Twenty-Three
Valletta Road
Marsa MRS 3000
Malta

28 July 2020



Richard Abdilla Castillo
Director

Report on review of interim financial information

To the Board of Directors of Harvest Technology plc

Introduction

We have reviewed the accompanying consolidated condensed statement of financial position of Harvest Technology plc and its subsidiaries (the Group) for the period ended 30 June 2020 and the related consolidated condensed profit or loss account, consolidated condensed statement of changes in equity, consolidated condensed statement of cash flows for the year then ended, and selected explanatory notes (the “interim financial information”).

Directors’ responsibility for the interim financial information

The Directors are responsible for the preparation and fair presentation of these condensed consolidated interim financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU applicable to interim financial reporting (International Accounting Standard 34 ‘Interim Financial Reporting’).

Auditor’s responsibility

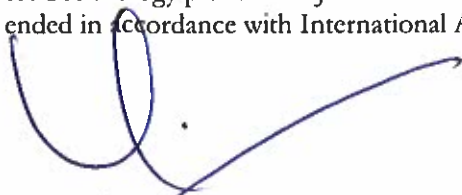
Our responsibility is to express a conclusion on this interim financial information based on our review.

We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410 (Revised), *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of the consolidated financial position of Harvest Technology plc as at 30 June 2020 and of its financial performance and cash flows for the period then ended in accordance with International Accounting Standard 34 – Interim financial reporting.



Mark Bugeja (Partner) for and on behalf of
GRANT THORNTON

Fort Business Centre
Triq L-Intornjatur, Zone 1
Central Business District
Birkirkara CBD 1050
Malta

28 July 2020