

Harvest Technology p.l.c.

Interim Financial Report

For the period 1 January to 30 June 2023

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Interim Directors' Report

Pursuant to Listing Rules 5.75.2 for period 1 January to 30 June 2023

The directors present the 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 2023.

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. 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, law enforcement 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 2023 and its comparative period in 2022.

The Group

During the period under review, the Group registered an operating profit of €299,452 (1 January to 30 June 2022: € 1,121,232) on revenue of €7,197,859 (1 January to 30 June 2022: € 8,291,071). The profit before tax for the period amounted to €289,367 (1 January to 30 June 2022: € 1,105,383). After accounting for other items of income, net finance costs and taxation, the Group registered a profit for the period of €183,225 (1 January to 30 June 2022: € 721,555). The Group's net assets at 30 June 2023 amounted to €13,670,040 (31 December 2022: €13,600,797).

The payment processing services segment experienced a notable decline in revenue and profitability when compared to the same period in 2022. This is primarily attributable to a sharp drop in processing of certain gaming merchants due to changes in regulation. The drop in processing for such clients started in the first quarter of 2022 and given the current circumstances, it is highly unlikely that the company will be able to recover the lost revenue in 2023. It is pertinent to note that the processing for clients that were not impacted by the change in regulation has increased year on year.

Despite these challenges the company is actively taking measures to improve its situation and over the past 12 months has invested significantly in its platform infrastructure. The Board of Directors is pleased to announce that on 30 June 2023, APCOPAY's new cloud-based payment platform received a certificate of compliance

confirming that the solution meets the Payment Card Industry Data Security Standard v4.0 to the highest Level 1 service provider criteria.

This is an important milestone in the launch of the new payment platform later in 2023. Moreover, APCOPAY has also increased its efforts to strengthen and diversify its sales pipeline through various initiatives.

In the first six months, the retail and IT solutions segment reported a decline in revenues, compared to the previous year. During the first half of 2022, this segment had been positively impacted by the completion of a number of significant projects, which bolstered the segment's profitability. With regards to 2023, there is an optimistic outlook for the second half of the year, as both APCO Limited and PTL Limited are anticipated to finalise their ongoing projects, which would be expected to translate into higher revenue and profit recognition.

Additionally, it is worth noting that during the first half of 2022, the company benefited from favourable foreign exchange differences when converting from USD to Euro resulting in higher gross profit compared to 2023.

The Group remains committed to further investment in the organic growth of its various businesses, with a notable focus on expanding the payment processing business and internationalising the retail and IT solutions segment.

The Company

The Company earned investment income and management fees of €615,261 and € 236,010 respectively (2022: € 1,076,708 and € 231,811, respectively). After accounting for finance income, finance costs and administrative expenditure, the Company registered a profit after tax of €136,092 (1 January to 30 June 2022: €439,981). The net assets of the Company at 30 June 2023 amounted to €12,769,605 (31 December 2022: €12,747,416).

Results and dividends

The results for the period ended 30 June 2023 are shown in the statements of profit or loss on page 5. The Group's profit for the period after taxation was €183,225 (1 January to 30 June 2022: € 721,555).

During the period under review, the directors proposed a final net dividend of €113,903, equivalent to €0.005 per share for financial year ending 31 December 2022. This was paid by the company on 5 May 2023.

Likely future business developments

The directors consider that the period-end financial position was satisfactory.

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 2022 and the management accounts for the period ending 30 June 2022.



Mr. Keith Busuttil
Non-executive Chairman



Mr. Stephen Paris
Non-executive Director

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

9 August 2023

Condensed Statements of Profit or Loss for the period ended 30 June 2023

	The group 1 January to 30 June 2023 (Unaudited)	The group 1 January to 30 June 2022 (Unaudited)	The company 1 January to 30 June 2023 (Unaudited)	The company 1 January to 30 June 2022 (Unaudited)
Revenue	7,197,859	8,291,071	241,821	237,361
Cost of sales	(4,578,429)	(4,974,405)	-	-
Gross profit	2,619,430	3,316,666	241,821	237,361
Administrative expenses	(2,319,978)	(2,195,434)	(633,768)	(631,692)
Operating profit / (loss)	299,452	1,121,232	(391,947)	(394,331)
Investment income	-	-	615,261	1,076,708
Finance income	1,028	-	-	4,462
Finance costs	(11,113)	(15,849)	(5,757)	(9,884)
Profit before tax	289,367	1,105,383	217,557	676,955
Tax expense	(106,142)	(383,828)	(81,465)	(236,974)
Profit for the year	183,225	721,555	136,092	439,981
Earnings per share	0.008	0.032	-	-

Condensed Statements of financial position

		The group	The group	The company	The company
	Notes	30 June 2023	31 December	30 June 2023	31 December
		(Unaudited)	2022 (Audited)	(Unaudited)	2022 (Audited)
		€	€	€	€
Assets					
Non-current					
Goodwill	6	7,493,487	7,493,487	-	-
Intangible assets	7	1,156,808	1,120,625	4,100	-
Plant and equipment		156,652	128,555	75,346	4,627
Right-of-use assets	8	452,448	555,875	214,738	322,107
Investment in subsidiaries		-	-	11,119,823	11,119,723
Other investments		149,977	149,977	149,977	149,977
Deferred tax assets		517,374	475,515	119,900	113,574
		9,926,746	9,924,034	11,683,884	11,710,008
Current					
Inventories		1,711,009	2,558,962	-	-
Contract assets		366,683	483,471	-	-
Other assets		161,663	86,219	48,474	6,072
Trade and other receivables	9	2,595,331	4,671,093	487,051	197,479
Current tax assets		556,500	801,021	349,903	536,785
Cash and cash equivalents	10	2,983,045	2,716,977	576,697	726,830
		8,374,231	11,317,743	1,462,125	1,467,166
Total assets		18,300,977	21,241,777	13,146,009	13,177,174

Condensed Statements of financial position – continued

		The group 30 June 2023	The group 31 December 2022 (Audited)	The company 30 June 2023	The company 31 December 2022 (Audited)
	Notes	(Unaudited) €	(Unaudited) €	(Unaudited) €	(Unaudited) €
Equity					
Share capital		11,390,318	11,390,318	11,390,318	11,390,318
Other equity		(2,821,165)	(2,821,165)	-	-
Retained earnings		5,100,887	5,031,644	1,379,287	1,357,098
Total equity		13,670,040	13,600,797	12,769,605	12,747,416
Liabilities					
Non-current					
Lease liabilities		157,285	267,208	-	116,933
Deferred tax liabilities		267,142	292,601	-	-
		424,427	559,809	-	116,933
Current					
Lease liabilities		318,620	313,980	229,542	221,067
Trade and other payables	11	1,929,348	2,998,460	146,862	91,758
Contract liabilities		1,868,806	3,716,777	-	-
Current tax liabilities		89,736	51,954	-	-
		4,206,510	7,081,171	376,404	312,825
Total liabilities		4,630,937	7,640,980	376,404	429,758
Total equity and liabilities		18,300,977	21,241,777	13,146,009	13,177,174



Mr. Keith Busuttil
 Non-executive Chairman



Mr. Stephen Paris
 Non-executive Director

Statement of changes in equity - the group

	Share capital €	Other equity €	Retained earnings €	Total equity €
At 1 January 2022	11,390,318	(2,821,365)	4,829,506	13,398,459
Dividends	-	-	(455,759)	(455,759)
Transactions with owners	-	-	(455,759)	(455,759)
Profit for the period	-	-	721,555	721,555
Total comprehensive income	-	-	721,555	721,555
At 30 June 2022	11,390,318	(2,821,365)	5,095,302	13,664,255
At 1 January 2023	11,390,318	(2,821,165)	5,031,644	13,600,797
Dividends	-	-	(113,982)	(113,982)
Transactions with owners	-	-	(113,982)	(113,982)
Profit for the period	-	-	183,225	183,225
Total comprehensive income	-	-	183,225	183,225
At 30 June 2023	11,390,318	(2,821,165)	5,100,887	13,670,040

Statement of changes in equity – the company

	Share capital	Retained earnings	Total equity
	€	€	€
At 1 January 2022	11,390,318	1,602,514	12,992,832
Dividends	-	(455,613)	(455,613)
Transactions with owners	-	(455,613)	(455,613)
Profit for the period	-	439,981	439,981
Total comprehensive income	-	439,981	439,981
At 30 June 2022	11,390,318	1,586,882	12,977,200
At 1 January 2023	11,390,318	1,357,098	12,747,416
Dividends	-	(113,903)	(113,903)
Transactions with owners	-	(113,903)	(113,903)
Profit for the period	-	136,092	136,092
Total comprehensive income	-	136,092	136,092
At 30 June 2023	11,390,318	1,379,287	12,769,605

Condensed Statements of Cash Flows for the period ended 30 June 2023

	The group 1 January to 30 June 2023 (Unaudited) €	The group 1 January to 30 June 2022 (Unaudited) €	The company 1 January to 30 June 2023 (Unaudited) €	The company 1 January to 30 June 2022 (Unaudited) €
Operating activities				
Profit before tax	289,367	1,105,383	217,557	676,955
Adjustments	412,504	457,290	(482,152)	(959,923)
Net changes in working capital	60,505	360,564	(276,870)	(272,825)
Tax paid	(322,582)	(356,064)	-	-
Tax refunded	431,037	180,555	314,432	180,555
Net cash generated from (used in) operating activities	870,831	1,747,728	(227,033)	(375,238)
Investing activities				
Payments to acquire property, plant and equipment	(72,948)	(23,866)	(89,882)	(4,025)
Payments to acquire intangible assets	(245,575)	(175,294)	(4,920)	-
Payment to acquire other investments	-	-	(100)	-
Dividends received from subsidiaries	-	-	399,920	699,860
Net cash (used in) generated from investing activities	(318,523)	(199,160)	305,018	695,835

Condensed Statements of Cash Flows for the period ended 30 June 2023

	The group 1 January to 30 June 2023 (Unaudited) €	The group 1 January to 30 June 2022 (Unaudited) €	The company 1 January to 30 June 2023 (Unaudited) €	The company 1 January to 30 June 2022 (Unaudited) €
Financing activities				
Payments for lease obligations to third parties	(51,659)	(45,888)	-	-
Payments for lease obligations to related Company	(108,458)	(102,900)	(108,458)	(102,900)
Interest paid on leasing arrangements with third parties	(5,356)	(4,601)	-	-
Interest paid on leasing arrangements with a related Company	(5,757)	(9,884)	(5,757)	(9,884)
Interest received	-	-	-	4,462
Interest paid on other financial liabilities	(1,028)	(1,364)	-	-
Dividends paid	(113,982)	(455,759)	(113,903)	(455,613)
Net cash used in financing activities	(286,240)	(620,396)	(228,118)	(563,935)
Net change in cash and cash equivalents	266,068	928,172	(150,133)	(243,338)
Cash and cash equivalents, beginning of period	2,716,977	2,999,405	726,830	1,071,116
Cash and cash equivalents, end of period	2,983,045	3,927,577	576,697	827,778

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 2023 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 2022, 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 2023

Some accounting amendments which have become effective from 1 January 2023 and have been adopted by the Group and the company do not have a significant impact on the Group and Company’s financial results or position. Accordingly, the Group and the Company have made no changes to its accounting policies in 2023.

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 and the Company.

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 and the Company have not been disclosed as they are not expected to have a material impact on the Group and Company’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.

During the first six months of 2023, the Group did not have any clients or contracts which individually represented 10% or more of the total revenue of the Group. In 2022, the Group had one significant contract where revenue exceeded 10% of total revenues. The total revenue on this contract recognised during the period amounted to € 1,378,000 and represented 17% of the revenue for the six months ended 30 June 2022.

As at the end of the reporting period the total amount of intangible assets (including goodwill) and plant and equipment amounted to € 8,650,295 - unaudited (31 December 2022: €8,614,112 - audited) and € 156,652 - unaudited (31 December 2022 - audited: €128,555) 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.

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 2023 (Unaudited) €	1 January to 30 June 2022 (Unaudited) €
Total profit for reportable segments	673,572	1,491,635
Unallocated amounts:		
Other unallocated amounts	(384,205)	(386,252)
	289,367	1,105,383

Assets

	30 June 2023 (Unaudited) €	31 December 2022 (Audited) €
Total assets for reportable segments	10,645,498	13,164,734
Elimination of receivables	(1,864,194)	(1,431,494)
Unallocated amounts:		
Plant and equipment	75,346	4,627
Goodwill	7,493,487	7,493,487
Intangible assets	4,100	-
Other investments	149,977	149,977
Trade and other receivables	535,525	161,150
Cash and cash equivalents	576,697	726,830
Deferred tax	119,900	113,574
Current tax asset	349,903	536,785
Right-of-use-asset	214,738	322,107
	18,300,977	21,241,777

Liabilities

	30 June 2023 (Unaudited) €	31 December 2022 (Audited) €
Total liabilities for reportable segments	6,118,727	8,642,716
Elimination of liabilities	(1,864,194)	(1,431,494)
Unallocated amounts:		
Trade and other payables	146,862	91,758
Lease liability	229,542	338,000
	4,630,937	7,640,980

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 2023						
Revenue	2,120,168	5,456,281	7,576,449	5,811	(384,401)	7,197,859
Profit before tax	497,741	175,831	673,572	217,557	(601,762)	289,367
Depreciation and amortisation	228,510	70,140	298,650	127,352	(13,498)	412,504
Income tax expense	176,335	63,683	240,018	81,465	(215,341)	106,142
Segment assets	3,510,680	7,134,818	10,645,498	13,146,010	(5,490,531)	18,300,977
Capital expenditure	248,008	15,426	263,434	94,802	(39,713)	318,523
Segment liabilities	1,653,965	4,464,762	6,118,727	376,404	(1,864,194)	4,630,937
1 January to 30 June 2022						
Revenue	2,641,488	6,118,143	8,759,631	5,550	(474,110)	8,291,071
Profit before tax	1,022,312	469,323	1,491,635	676,955	(1,063,207)	1,105,383
Depreciation and amortisation	201,861	31,171	233,032	3,994	(13,498)	223,528
Income tax expense	359,560	164,143	523,703	236,974	(376,849)	383,828
Segment assets	3,580,622	9,584,113	13,164,735	2,057,450	6,019,592	21,241,777
Capital expenditure	349,698	62,196	411,894	4,971	-	416,865
Segment liabilities	1,638,130	6,996,635	8,634,764	437,709	(1,431,494)	7,640,980

5 Dividends

During the period under review, the directors proposed a final net dividend of € 113,903 equivalent to € 0.005 per share. This was paid by the company on 5 May 2023. During the prior period a final net dividend of € 455,613 (€ 0.020 per share) was paid on 29 April 2022.

6 Goodwill

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

	The group €
At 1 January 2022	7,493,487
At 31 December 2022	7,493,487
At 1 January 2023	7,493,487
At 30 June 2023	7,493,487
Carrying amount	
At 31 December 2022	7,493,487
At 30 June 2023	7,493,487

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.

The Group tests goodwill semi-annually for impairment, or more frequently if there are indications that goodwill or intangibles might be impaired. Determining whether the carrying amounts of goodwill 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 2023, goodwill was allocated as follows:

- € 3,860,898 (at 31 December 2022: € 3,860,898) to APCO Systems Limited which operates the electronic payment gateway.
- € 2,168,112 (at 31 December 2022: € 2,168,112) to APCO Limited which operates in the business of selling and maintenance of IT solutions and security systems.
- € 1,464,477 (at 31 December 2022: € 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 2% (2022: 2%); and
- use of 26.8% (pre-tax) (2022: 26.8%) to discount the projected cash flows to net present values

Based on the above assessment, the directors expect the carrying amount of goodwill 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 2% (2022: 2%); and
- use of 21.5% (pre-tax) (2022: 18.6% - 20.5%) to discount the projected cash flows to net present values

Based on the above assessment, the directors expect the carrying amount of goodwill to be recoverable.

7 Intangible assets

	Total
	€
The group	
Gross carrying amount	
At 1 January 2022	2,863,927
Additions	345,010
At 31 December 2022	3,208,937
Gross carrying amount	
At 1 January 2023	3,208,937
Additions	245,575
At 30 June 2023	3,454,512
Amortisation	
At 1 January 2022	1,687,032
Provision for the year	401,280
At 31 December 2022	2,088,312
At 1 January 2023	2,088,312
Provision for the period	209,392
At 30 June 2023	2,297,704
Carrying amount	
At 31 December 2022	1,120,625
At 30 June 2023	1,156,808

The amortisation charge was included in administrative expenses.

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

The Group tests intangible assets with an indefinite useful life annually for impairment or more frequently if there are indications that intangibles might be impaired. 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.

Based on the assessments carried out as disclosed in note 6, the directors expect the carrying amount of intangible assets with an indefinite useful life to be recoverable.

7 Intangible assets – continued

	Total
	€
The company	
Gross carrying amount	
At 1 January 2022	41,550
Additions	-
At 31 December 2022	41,550
At 1 January 2023	41,550
Additions	4,920
At 30 June 2023	46,470
Amortisation	
At 1 January 2022	37,495
Provision for the year	4,055
At 31 December 2022	41,550
At 1 January 2023	41,550
Provision for the period	820
At 30 June 2023	42,370
Carrying amount	
At 31 December 2022	-
At 30 June 2023	4,100

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			
At 1 January 2022	644,214	536,275	1,180,489
Additions	-	89,707	89,707
Termination of lease	-	(61,533)	(61,533)
At 31 December 2022	644,214	564,449	1,208,663
At 1 January 2023	644,214	564,449	1,208,663
Additions	-	54,834	54,834
At 30 June 2023	644,214	619,283	1,263,497
Depreciation			
At 1 January 2022	107,369	284,170	391,539
Provision for the year	214,738	92,020	306,758
Termination of lease	-	(45,509)	(45,509)
At 31 December 2022	322,107	330,681	652,788
At 1 January 2023	322,107	330,681	652,788
Provision for the period	107,369	50,892	158,261
At 30 June 2023	429,476	381,573	811,049
Carrying amount			
At 31 December 2022	322,107	233,768	555,875
At 30 June 2023	214,738	237,710	452,448

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

The Company	Buildings €
Gross carrying amount	
At 1 January 2022	644,214
At 31 December 2022	644,214
At 1 January 2023	644,214
At 30 June 2023	644,214
Depreciation	
At 1 January 2022	107,369
Provision for the year	214,738
At 31 December 2022	322,107
At 1 January 2023	322,107
Provision for the period	107,369
At 30 June 2023	429,476
Carrying amount	
At 31 December 2022	322,107
At 30 June 2023	214,738

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

The Group and the Company have elected to disclose right-of-use assets separately in these financial statements. The information pertaining to the gross carrying amount, depreciation recognised during the year and other movements in right-of-use assets is included in the above tables.

The weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 is 3.93%. 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.

At 30 June 2023, the Group's leases comprise of its office space and car park lease and its motor vehicles.

9 Trade and other receivables

Trade and other receivables consist of the following:

	The group	The group	The company	The company
	30 June	31 December	30 June	31 December
	2023	2022	2023	2022
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	€	€	€	€
Trade receivables – gross	2,217,610	4,660,852	-	-
Allowance for expected credit losses	(245,490)	(237,928)	-	-
Trade receivables – net	1,972,120	4,422,924	-	-
Amounts owed to ultimate parent	10,216	-	-	-
Amounts owed by parent company	12,391	8,691	-	-
Amounts owed by subsidiaries	-	-	449,508	189,715
Advance payments	6,623	6,623	-	-
Other receivables	449,269	81,037	27,833	7,764
Amounts owed by other related parties	132,724	110,407	1,529	-
Financial assets	2,583,343	4,629,682	478,870	197,479
Other receivables	11,988	41,411	8,181	-
Trade and other receivables – current	2,595,331	4,671,093	487,051	197,479

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:

	The group 30 June 2023 (Unaudited) €	The group 31 December 2022 (Audited) €	The company 30 June 2023 (Unaudited) €	The company 31 December 2022 (Audited) €
Cash and bank balances	2,983,045	2,716,977	576,697	726,830
Cash and cash equivalents in the Statements of cash flows and the statements of financial position	2,983,045	2,716,977	576,697	726,830

The Group did not have any restrictions on its cash at bank as at the end of the reporting period.

11 Trade and other payables

	The group 30 June 2023 (Unaudited)	The group 31 December 2022 (Audited)	The company 30 June 2023 (Unaudited) €	The company 31 December 2022 (Audited) €
Trade payables	610,771	1,157,432	27,566	1,612
Amounts payable to ultimate parent	6,059	-	6,059	-
Amounts payable to related parties	399	32,306	-	8,759
Other payables	6,763	15,991	-	-
Accrued expenses	1,007,124	980,733	113,237	73,300
Financial liabilities	1,631,116	2,186,462	146,862	83,671
Other creditors	298,232	811,998	-	8,087
Trade and other payables – current	1,929,348	2,998,460	146,862	91,758

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.

12 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 2023</u>			<u>1 January to 30 June 2022</u>		
	(Unaudited)			(Unaudited)		
	Related party activity Unaudited	Total activity Unaudited	%	Related party activity Unaudited	Total activity Unaudited	%
	€	€		€	€	
Revenue:						
Related party transactions with:						
Ultimate parent	45,980	-	-	24,581	-	-
Parent company	32,034	-	-	19,162	-	-
Other related parties	235,151	-	-	151,188	-	-
	313,165	7,197,859	4.35%	194,931	8,291,071	2.35%
Cost of sales:						
Related party transactions with:						
Other related parties	-	-	-	-	-	-
	-	4,578,429	0.00%	-	4,974,405	0.00%
Administrative expenses:						
Related party transactions with:						
Ultimate parent	5,159	-	-	294	-	-
Parent company	704	-	-	1680	-	-
Other related parties	127,574	-	-	113,092	-	-
	133,437	2,619,430	5.09%	115,066	2,195,434	5.24%
Finance cost:						
Related party transactions with:						
Other related parties	5,757	-	-	9,884	-	-
	5,757	11,113	51.80%	9,884	15,849	79.30%

12 Related party transactions – continued

	<u>1 January to 30 June 2023</u> (Unaudited)			<u>1 January to 30 June 2022</u> (Unaudited)		
	Related party activity Unaudited €	Total activity Unaudited €	%	Related party activity €	Total activity €	%
The company						
Revenue:						
Related party transactions with:						
Subsidiaries	241,821			237,361		
	<u>241,821</u>	<u>241,821</u>	<u>100%</u>	<u>237,361</u>	<u>237,361</u>	<u>100%</u>
Administrative expenses:						
Related party transactions with:						
Ultimate parent	5,159			268		
Parent company	15					
Other related parties	124,253			121,274		
	<u>129,427</u>	<u>633,768</u>	<u>20%</u>	<u>121,542</u>	<u>631,692</u>	<u>19%</u>
Finance income:						
Related party transactions with:						
Subsidiaries	-	-		4,462		
	<u>-</u>	<u>-</u>	<u>0%</u>	<u>4,462</u>	<u>4,462</u>	<u>100%</u>
Finance cost:						
Related party transactions with:						
Other related parties	5,757	-	-	9,884	-	-
	<u>5,757</u>	<u>5,757</u>	<u>100%</u>	<u>9,884</u>	<u>9,884</u>	<u>100%</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 venture and key management personnel of the company or its parent company.

The directors consider the ultimate controlling party to be Mr Carmelo (sive Melo) Hili, who, through his interest in Hili Ventures Limited, holds 62.98% (June 2022: 62.98 %) of the voting rights in Harvest Technology p.l.c.

No expense has been recognised in the period for impairments in respect of amounts due by related parties and there are no provisions for impairment in respect of outstanding amounts due by related parties.

13 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.

13.1 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.

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.

13.2 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 2023 and 31 December 2022 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 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. At 30 June 2023 and 31 December 2022, the Group also had a significant financial asset on its ongoing project in Mauritius as contract assets.

The Expected Credit Loss (ECL) at 30 June 2023 and 31 December 2022 was estimated based on a range of forecast economic scenarios as at that date.

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 2023 and 31 December 2022 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.

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. 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.

13.3 Liquidity risk

The Group's exposure to liquidity risk arises from its obligations to meet its financial liabilities, which comprise 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. The Group has not encountered any particular difficulties to collect amounts due from customers and collections remain within expectations as explained above.

13.4 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 2023 and 31 December 2022, 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.

14 Contingent liabilities and guarantees

At 30 June 2023, the group's subsidiaries had guarantees amounting to € 690,379 (at 31 December 2022: €572,570) in favour of third parties on major projects being executed in Malta.

Statement Pursuant to Listing Rules 5.75.3 issued by the Listing Authority for the period 1 January to 30 June 2023

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 2023, 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 EU 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 9 August 2023 and signed on its behalf by:



Mr. Keith Busuttil
Non-executive Chairman



Mr. Stephen Paris
Non-executive Director

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