φFacePhi
Beyond Biometrics

FACEPHI BIOMETRÍA, S.A.

Pursuant to the requirements established by Circular 6/2018 from the Alternative Stock Market (MAB), the Corporations Act and the Code of Commerce, on 31st July 2020, the Board of Directors of the Company FacePhi Biometría S.A. proceeded to prepare the attached interim financial statements at 30th June 2020, comprising 44 pages printed on both sides and numbered 1 to 44, as well as the management report for the same period containing 18 pages numbered from 1 to 18, both inclusive.

Likewise, the Board of Directors has empowered Mr. Juan Alfonso Ortiz Company in his capacity as secretary to the Board to sign off all pages in the above documents.

SIGNED BY

Salvador Martí Varó
Chairperson-Chief executive of the Board

Javier Mira Miró
Deputy-Chief executive of the Board

Juan Alfonso Ortiz Company
Secretary Board member

Fernando Orteso de Travesedo
Independent Board member

David J. Devesa Martínez
Board Member

FACEPHI BIOMETRÍA, S.A.

Interim financial statements and management report corresponding to the six-month period ending 30th June 2020

Index to the interim financial statements and the explanatory notes

Management report

Balance sheet
30th June 2020
(In Euros)

ASSETS	NOTES	30/06/2020	31/12/2019
A) NON-CURRENT ASSETS……………………..……….		**4,358,774**	**2,374,710**
I. Intangible fixed assets ……………………………………………….....	**4**	**1,901,559**	**1,610,565**
II. Tangible fixed assets ……………………………………………………	**5**	**115,214**	**38,983**
IV. Non-current investments in group and associated companies ………	**6**	**2,261,591**	**169,315**
1. Equity instruments ………………………………………………………		2,081,264	81,264
2. Companies' payables ………………………………………………………		180,327	88,051
V. Non-current financial investments …………………………………….	**7**	**22,548**	**497,985**
5. Other financial assets		22,548	497,985
VI. Deferred tax assets ………………………………………………..……	**10**	**57,862**	**57,862**
B) CURRENT ASSETS…………………………………….		**8,121,325**	**8,740,045**
III. Trade and other receivables ……………………………………………	**6 and 7**	**5,940,562**	**8,276,623**
1. Trade accounts receivables ………………………………………………		5,626,700	8,179,920
3. Other receivables ……………………………….…………………………		198,643	65,301
4. Staff …………………………………………………………………………		500	1,200
6. Other Public Authorities' receivables ……………………………..………	**10**	114,718	30,202
IV. Non-current investments in group and associated companies ………		**1,503**	**0**
V. Current financial investments …………………………………………	**7**	**496,163**	**5,004**
VI. Short term accruals ……………………………………………...………		**135,588**	**71,737**
VII. Cash and cash equivalents ……………………………………………		**1,547,509**	**386,682**
TOTAL ASSETS …………………………………………………		**12,480,098**	**11,114,755**

EQUITY AND LIABILITIES	NOTES	30/06/2020	31/12/2019
A) EQUITY…………………………………………………		**4,898,846**	**4,382,194**
A-1) Shareholders' equity……………………………………………………	**8.1**	**4,757,402**	**4,215,602**
I. Capital…………………………………………………………………		**557,152**	**542,766**
II. Share premium….……………………………………………………		**3,848,212**	**2,812,602**
III. Reserves ………………………..…………………………………		**803,467**	**610,194**
IV. (Treasury stock and shares)……………………………………………		**(292,428)**	**(240,354)**
V. Profit/ loss in previous financial years...……………………….……		**490,394**	**(798,042)**
VII. Profit/loss in current financial year…………………………………..		**(999,394)**	**1,288,436**
IX. Other equity instruments……………………………………………….		**350,000**	**0**
A-3) Grants, donations and legacies received……….…………………	**8.2**	**141,443**	**166,592**
B) NON-CURRENT LIABILITIES……………………………		**3,536,162**	**533,955**
I. Non-current provisions………………………………………………………		**16,085**	**5,675**
II. Non-current debt……………………………………………………………..	**9**	**3,472,930**	**472,750**
2. Debt with financial institutions……………………………………….….		3,472,930	472,750
IV. Deferred tax liabilities……………………………………………………	**10**	**47,148**	**55,531**
C) CURRENT LIABILITIES …………………………………..		**4,045,090**	**6,198,606**
III. Current debt……………………………………………………………..	**9**	**1,619,011**	**2,604,038**
2. Financial institutions payables…………………………………………		1,620,781	2,598,262
5. Other financial liabilities…………………….………………………		(1,770)	5,776
V. Trade and other payables…………………………………………………..	**9**	**1,610,215**	**2,743,736**
1. Suppliers…………………………………………………………………		89,119	0
2. Suppliers, other group and associated companies…………………..		36,300	0
3. Other payables…………………………………………………………		1,222,289	2,505,495
4. Staff (outstanding salaries)……………………………………………		146,950	91,531
6. Other Public Authorities' payables……………………………………	**10**	115,558	146,710
VI. Short term accruals………………………………………………………	**11.a**	**815,864**	**850,832**
TOTAL EQUITY AND LIABILITIES……………………..		**12,480,098**	**11,114,755**

Explanatory notes 1 to 15 attached hereto are part of the financial statements closed at 30th June 2020.

Profit and loss account for financial year ending 30th June 2020

(In Euros)

	NOTES	(Debits) Credits 30/06/2020	30/06/2019
A) CONTINUED OPERATIONS			
1. Net Revenue	**11.a**	**2,585,991**	**1,063,863**
b) Services provided		2,585,991	1,063,863
3. Work undertaken by the Company on its own assets	**4 and 11.b**	**443,053**	**299,734**
4. Supplies		**-920,951**	**-145,536**
c) Work undertaken by third party companies		-919,791	-145,536
5. Other operating income		**5,965**	**4,325**
a) Additional and other ordinary income		5,965	4,325
6. Staff expenses	**11.d**	**-1,461,765**	**-889,382**
a) Salaries, remunerations and similar expenses		-1,322,242	-799,183
b) Social contributions		-139,523	-90,199
7. Other operating expenses	**11.e**	**-1,380,401**	**-810,613**
a) External services		-1,204,132	-810,613
b) Tax		-3,000	0
c) Loss, impairment and variations in provisions for commercial operations	7	-173,269	0
8. Fixed assets depreciation	**4 and 5**	**-236,696**	**-224,454**
9. Allocation of grants related to non-financial fixed assets and other	**8.2**	**33,532**	**33,532**
13. Other profit/ loss		**-5,938**	**-5,888**
A.1) OPERATING PROFIT/ LOSS		**-937,210**	**-674,418**
14. Financial income		**59,156**	**251**
b) From negotiable and other financial instruments		59,156	251
b 1) In group and associated companies	6	*2,391*	*0*
b 2) From third parties		*56,765*	*251*
15. Financial expenses		**-46,172**	**-37,440**
b) From third party payables		-46,172	-37,440
16. Variations in the fair value of financial instruments		**-34**	**0**
17. Exchange rate differences	**11.f**	**10,804**	**-17,877**
A.2) FINANCIAL PROFIT/ LOSS		**23,755**	**-55,066**
A.3) PROFIT/ LOSS BEFORE TAX (A.1 + A.2)		**-913,456**	**-729,484**
20. Income tax	**10**	**-85,939**	**-21,318**
A.4) PROFIT/LOSS FROM CONTINUED OPERATIONS (A.3 +20)		**-999,394**	**-750,802**
B) DISCONTINUED OPERATIONS			
A.5) PROFIT/LOSS FOR FINANCIAL YEAR (A.4 + 21)		**-999,394**	**-750,802**

Explanatory notes 1 to 15 attached hereto are part of the financial statements closed at 30th June 2020.

STATEMENT OF CHANGES IN EQUITY A) Statement of recognised income and expense as at 30th June 2020 (In Euros)	Notes	30/06/2020	31/12/2019
A) PROFIT/LOSS ACCOUNT BALANCE		**(999,394)**	**1,288,436**
INCOME AND EXPENSES POSTED TO EQUITY			
III. Grants, donations and legacies received	*8.2*		
VII. Tax effects	*10*		
B) TOTAL INCOME AND EXPENSES POSTED TO EQUITY			
TRANSFERS TO PROFIT/ LOSS ACCOUNT			
X. Grants, donations and legacies received	*8.2*	(33,532)	(67,063)
XIII. Tax effects	*10*	8,383	16,766
C) TOTAL TRANSFERS TO PROFIT/ LOSS ACCOUNT		**(25,149)**	**(50,298)**
TOTAL RECOGNISED INCOME AND EXPENSES (A + B + C)		**(1,024,543)**	**1,238,139**

B) Statement of changes in equity
corresponding to the six-month period ending on 30th June 2020
(in Euros)

	Share capital Subscribed	Share premium	Reserves	(Treasury stock and shares)	Profit/loss in previous financial years	Profit/loss in current financial year	Other equity instruments	Grants, donations and legacies	TOTAL
A. BALANCE, AT THE END OF FINANCIAL YEAR 2018	**531,083**	**2,323,993**	**464,975**	**(150,723)**	**(1,965,517)**	**1,167,475**		**216,890**	**2,588,176**
I. Adjustments for changes in accounting criteria in financial year 2018 and previous									
II. Adjustments due to errors in financial year 2018 and previous.									
B. ADJUSTED BALANCE AT START OF FINANCIAL YEAR 2019	**531,083**	**2,323,993**	**464,975**	**(150,723)**	**(1,965,517)**	**1,167,475**		**216,890**	**2,588,176**
I. Total recognised income and expenses						*1,288,436*		*(50,298)*	*1,238,139*
II. Transactions involving partners or shareholders.	*11,682*	*488,609*	*145,219*	*(89,631)*					*555,580*
1. Increase in share capital.	11,682	488,609							500,292
5. Transactions involving own stocks or shares (net).			145,219	(89,631)					55,588
III. Other equity variations.					*1,167,475*	*(1,167,475)*			
2. Other variations.					1,167,475	(1,167,475)			
C. BALANCE AT THE END OF FINANCIAL YEAR 2019	***542,766***	***2,812,602***	***610,194***	***(240,354)***	***(798,042)***	***1,288,436***		***166,592***	***4,382,194***
I. Adjustments for changes in accounting criteria in financial year 2019									
II. Adjustments due to errors in financial year 2019									
D. ADJUSTED BALANCE AT START OF FINANCIAL YEAR 2020	***542,766***	***2,812,602***	***610,194***	***(240,354)***	***(798,042)***	***1,288,436***		***166,592***	***4,382,194***
I. Total recognised income and expenses.						*(999,394)*		*(25,149)*	*(1,024,543)*
II. Transactions involving partners or shareholders.	*14,387*	*1,035,610*	*193,273*	*(52,074)*					*1,191,195*
1. Increase in share capital.	*14,387*	*1,035,610*							1,049,997
5. Transactions involving own stocks or shares (net).			193,273	*(52,074)*					141,198
III. Other equity variations.					*1,288,436*	*(1,288,436)*	*350,000*		*350,000*
2. Other variations.					1,288,436	(1,288,436)	350,000		350,000
E. BALANCE AT THE END OF PERIOD ENDING 30.06.2020	**557,152.20**	**3,848,212**	**803,467**	**(292,428)**	**490,394**	**(999,394)**	**350,000**	**141,443**	**4,898,846**

Explanatory notes 1 to 15 attached hereto are part of the financial statements closed at 30th June 2020.

Cash flow statement corresponding to the six-month period ending on 30th June 2020

(In Euros)

	30.06.20	30.06.19
A) Cash flow from operating business		
1. Profit/ Loss before tax.	**-913,456**	**-729,484**
2. Adjustment to Profit/ Loss.	**-120,040**	**-59,480**
a) Fixed assets depreciation (+)	236,696	224,454
b) Corrections in value due to impairment (+/-)	173,269	
c) Variation of provisions (+/-)	10,410	
d) Allocation of grants (-)	-33,532	-33,532
g) Financial income (-)	-59,156	-251
h) Financial expenses (+)	46,172	37,440
i) Exchange rate differences (+/-)	-50,846	12,142
k) Other income and expenses (-/+)	-443,053	-299,734
3. Changes in working capital	**930,448**	**377,415**
b) Trade and other receivables (+/-)	2,218,748	348,007
c) Other current assets (+/-)	-63,851	-178,033
d) Suppliers and other payables (+/-)	-1,216,903	355,583
e) Other current liabilities (+/-)	-7,546	-148,141
4. Other cash flow from operating business.	**-75,345**	**-58,507**
a) Interest paid (-)	-46,172	-37,440
c) Interest received (+)	56,765	251
d) Income tax received (paid) (+/-)	-85,939	-21,318
5. Cash flows from operating activities (+/-1 +/-2 +/-3 +/-4)	**-178,393**	**-470,056**
B) Cash flow from investments		
6. Investment amounts paid (-)	**-1,398,107**	**-185,391**
a) Group and associated companies.	-1,251,387	-13,349
b) Intangible fixed assets.	-77,652	-24,162
c) Tangible fixed assets.	-83,216	-3,463
e) Other financial assets	14,148	-144,417
8. Cash flow from investments (7-6)	**-1,398,107**	**-185,391**
C) Cash flow from financing.		
9. Amounts paid and received for equity instruments.	**701,194**	**348,095**
a) Issuance of equity instruments.	1,399,997	
c) Purchase of own equity instruments.	-1,507,147	-144,441
d) Disposal of own equity instruments.	808,344	492,536
10. Amounts paid and received in concept of financial liability instruments.	**2,022,700**	**393,476**
a) Issuance.		
2. Debt with financial institutions (+).	3,322,000	1,526,655
b) Repayment and amortisation of		
2. Debt with financial institutions (-).	-1,299,300	-1,119,292
4. Other (-).		-13,887
12. Cash flows from financing (+/-9+/-10-11)	**2,723,894**	**741,572**
D) Effects of variations on exchange rates.	**-49,422**	**-24,163**
E) Net increase/decrease in cash or cash equivalents (+/-A +/-B +/-C +/-D)	**1,097,972**	**61,961**
Cash or cash equivalents at the start of financial year.	449,538	387,576
Cash or cash equivalents at the end of the financial year.	1,547,509	449,538

Explanatory notes 1 to 15 attached hereto are part of the financial statements closed at 30th June 2020.

1. General information

a) Nature and business activity

FACEPHI BIOMETRIA S.A. was incorporated for an indefinite period on 26th September 2012 before the notary public Mr. Ignacio J. Torres Lopez. Its registered address is in Alicante, at calle México No. 20.

Activity

In conformity with the Company's Articles of Association, their corporate purpose is the research, development and marketing of all types of IT equipment, hardware, software and domestic appliances. Online sales via the Internet and/ or similar distribution channels, import, export, dealership, marketing, distribution, intermediation, retail and wholesale trade, production, handling, manufacturing and provision of hardware and physical media software related services via the sale of user licences, electronic products and components, domestic and telecommunication appliances. Online activities as well as the supply of IT and training services. Promotion, construction, purchase, transferral, intermediation, lease (except financial leasing), sublease, direct and indirect installation or exploitation, consulting services, urban land management, management and custody of all types of real estate assets and plots of land under any planning classification, buildings, bungalows, apartments, villas, developments, sport fields, home dwellings, industrial or business premises, hospitality businesses, with or without furnishings, on their own behalf and on behalf of third parties, and publicly or privately owned.

It currently undertakes the marketing and implementation of in-house developed facial recognition biometric software under code 845 of the Economic Activities Tax classification (IAE as per its Spanish acronym).

Since 1st July 2014, the Company has been listed in the Alternative Stock Market (MAB as per its Spanish acronym) under the Expanding Companies segment (MAB-EE as per its Spanish acronym), and since 25th February 2020 it is listed on Euronext Growth in Paris.

For this reason, the Company is subject in Spain to the control and supervisory regime governed by Regulation (EU) no. 596/2014 on Market Abuse, approved by the consolidated text of Stock Market Act, approved by the Royal Legislative Decree 4/2015, of 23rd October, and related provisions, as well as the Circulars issued by the Alternative Stock Market (MAB).

The company operates with the Euro as its functional currency.

b) Group Composition

According to the information provided in note 6, the Company owns 100% of the share capital of:

- FacePhi APAC, LTD, a new subsidiary company incorporated for an indefinite period on 15th October 2019, with registered address in Pangyo (South Korea) as part of its internationalization and business development strategy. Consequently, there exists a group relationship with this company as envisaged in Art. 42 of the Code of Commerce.
- As anticipated, on 20th April 2020 the Company purchased 100% of the shares of Ecertic Digital Solutions, S.L., which was up to that moment the provider of software components for some products made by the Company.

At 30th June 2020, none of the two investees made any significant commercial and financial transactions. For this reason, and according to art. 43.1 3rd of the Code of Commerce, in view of the low relevance and interest for the true and fair image of the equity, its financial position and profit/loss of the acquiring company, the Administration Body has decided to benefit from the exemption of the obligation to consolidate and not to prepare the consolidated interim financial statements for the six-month period ending 30th June 2020, and has postponed the preparation of the required consolidated financial statements to the end of the financial year at 31st December 2020.

However, in note 6 and 13 of these explanatory notes, all the information related to equity, as well as balances and transactions undertaken during the financial year with group subsidiary companies and other related parties is provided.

2. Basis of presentation

a) Regulatory framework applicable to the Company's financial reporting

These explanatory notes have been prepared by the Board of Directors in accordance with the regulatory framework applicable to the Company's financial reporting established by:

- Code of Commerce and other trading legislation.
- Consolidated Text of the Corporations Act.
- General Accounting Plan (as approved by Royal Decree 1514/2007 passed on 16th November) and subsequent amendments.
- Mandatory rules approved by the Institute of Accounting and Account Audits (ICAC as per its Spanish acronym) further to the implementation of the General Accounting Plan and additional regulations.
- Any other applicable Spanish accounting legislation currently in force.

b) True and fair image

These interim financial statements have been prepared from the Company's accounting records and are presented in accordance with the current trading legislation and the rules established in the General Accounting Plan as approved by Royal Decree 1514/2007 and amendments thereof by Royal Decree 1159/2010 and Royal Decree 602/2016, in order to provide a true and fair view of the Company's equity, financial position and profit/loss, as well as the veracity of the cash flows corresponding to the six-month period ending 30th June 2020.

The attached interim financial statements have been prepared with the purpose of complying with the requirement to provide interim financial information at 30th June 2020 in the Alternative Stock Market (MAB), particularly with circular 6/2018.

There are no extraordinary reasons whereby any legal accounting dispositions may have not been implemented in order to provide a true and fair image.

c) Non-mandatory accounting principles

No non-mandatory accounting principles have been applied. In addition to the above, the Company's Board of Directors has prepared these interim financial statements in consideration of all mandatory accounting principles and rules of application that have a significant effect in the above mentioned interim financial statements. No mandatory accounting principles were ignored.

d) Critical aspects of measuring and estimating uncertainty

The Company's Administrators are responsible for the information contained in these explanatory notes, and certain assessments, assumptions and estimations were required to be made by the Company's management in its preparation that affect the application of the regulations and the value of its assets, liabilities, income, expenses and commitments. Any estimations and assumptions adopted are based on historical data and other reasonable factors under the current circumstances. In this regard, following is a detailed breakdown of all aspects that involved a greater degree of judgment, complexity or for which the assumptions and estimates were significant in the preparation of the attached financial statements:

- Useful lives of intangible and tangible fixed assets: Estimated useful lives and the corresponding depreciation charges for the relevant fixed assets are determined by the Company's management. This estimation is based upon their expected useful life, in view of their actual depreciation caused by their operation, use and benefit.

- Estimation of the potential wear and tear of intangible fixed assets based upon the achievement of future cash flows arising from the fulfilment of the Business Plan set out by the Company (see Note 3.3).
- Fair value of non-listed financial assets, as well as financial investments in Group companies. Fair value of financial instruments that are not listed in an active market is determined using valuation techniques, typically discounted future cash flows taking into account key assumptions, mainly discount rates and long-term growth (Note 3.3).
- Application of the going concern principle (Note 2 e).
- Recoverability of tax credits for tax losses and deferred tax assets recognised in the balance sheet (see note 10).

These estimations were made in accordance with the best available information on the analysed facts at the date of preparation of these financial statements. However, it is possible that subsequent events taking place in the future may require them to be amended (upwards or downwards) in forthcoming financial years. If required, this would be performed in a prospective manner pursuant to rule 22 of the General Accounting Plan by recognising the effects of changes in the estimations on the corresponding profit/ loss account.

Risk analysis regarding COVID-19

The appearance of the COVID-19 Coronavirus in China in January 2020 and its recent worldwide spread to a large number or countries has made the virus outbreak to be qualified as a pandemic by the World Health Organization since last 11th March.

Taking into account the market complexity due to their globalisation and the current lack of an efficient medical treatment against the virus, the consequences on the Company's transactions will depend to a large extent on the evolution and spread of the pandemic in the coming months, as well as the response and adaptation capabilities of all the affected economic agents.

In view of the above, at the date of preparing these Financial Statements, it is too early to assess in detail or quantify the possible impact of the COVID-19 on our main activity and operating transactions due to the uncertainty on its consequences in the short, medium and long term.

In this regard, at the date of preparing these interim financial statements, an actual fall in the ongoing commercial transactions or the planned activity for the first months of 2020 has not occurred as a consequence of the COVID-19, and it is not possible to assess if this situation will be maintained in the future and to which extent.

However, taking into consideration the measures taken by the governments of the countries in which the Company operates to manage the COVID-19 health crisis, the Company Administrators and Management have preliminarily evaluated the current situation according to the best information available. Due to the above-mentioned considerations, this information may be incomplete. The following aspects are highlighted as a result of the evaluation made:

- Staff health risk: it is the Company's priority to guarantee first of all the health of all its staff, which is why since the beginning of the health crisis, hygiene measures have been put in place and trips to risk areas have been restricted. After the pandemic was declared, and the state of alarm/emergency was declared in some territories, remote work measures have been implemented to the extent allowed by the different roles, making individual decisions in each territory, with the purpose of keeping our staff healthy.

- Liquidity risk: the general situation in the markets may predictably cause a general increase in liquidity tensions in the economy, as well as a contraction of the credit market. In this regard, the Company has a strong financial position, with credit lines and funding through convertible debt, although not available for a significant amount, which, together with the implementation of specific plans for improving and efficiently managing liquidity, will allow to address said tensions.

- Transaction risk: the changing and unpredictable situation may lead to the risk of temporary interruption of some activities and transactions regarding ongoing licensing proposals and proposals for implementation of our technology, developed by the Company. The Company's Management considers that, since our business is basically focused on marketing technological products, and since this is one of the industries with less exposure risk to the COVID-19 crisis according to experts, the risk of this situation affecting significantly to our activity may be considered low. Nevertheless, work teams with our representatives in the Company's different markets have been arranged and specific procedures for constantly monitoring and managing the evolution of the ongoing transactions have been established aiming at minimising its impact on them.

- Risk of change of financial indicators: the above mentioned factors may cause a decline in the amounts under relevant headings for the Company such as "Net revenue", "Ebitda" or "Profit after tax", or Company's key indicators (Net financial debt/Ebitda ratio) in the next interim financial statements. Nevertheless, for the time being it is not possible to reliably assess its impact taking into account the determinants and restrictions indicated above.

Lastly, it should be highlighted that Facephi's Company Administrators and Management are constantly supervising the evolution of this situation with the purpose of successfully addressing the financial and non-financial impacts that may occur.

e) Principle of going concern

These financial statements were prepared and submitted under the principle of going concern, i.e., by assuming that the Company shall continue its business in the future.

FacePhi's turnover for the sale of licences was 2.59 million Euros during the first semester of 2020, which means a 143% growth as compared to last year's turnover during the same period.

During financial year 2019, the Company significantly increased its turnover by +83% going from the 4.48 million achieved in 2018 to reach 8.2 million Euros in 2019.

At 30th June 2020, EBITDA was -527,248 Euros and -684,283.12 Euros in 2019, as a result of the company's growth and international expansion which has required heavy investment. In this regard, the costs associated to trading on Euronext last February or the costs associated to the capital increases undertaken by Nice & Green should be highlighted. Facephi's income is characterised by its strongly marked seasonal variation (most income is generated in the last quarter and month of the year). However, expenses are more linear during the year, which adversely affects the half-year profit/loss with half-yearly losses and low turnover year by year.

Euros	**30th June 2020**	**2019**	**2018**
EBITDA	**€-527,245.25**	**€3,076,208.91**	**€1,279,804.00**
Absolute variation	na	€1,796,404,91	€423,875.00
Relative variation	na	140 %	49.50 %

There is an improvement on the EBITDA from the first semester of 2020 as compared to 2019, as seen below:

Euros	**30th June 2020**	**30th June 2019**
EBITDA	**€-527,245.25**	**€-684,283.12**
Absolute variation	€157,037.87	na
Relative variation	-23%	

In 2019, the Company's EBITDA likewise increased to the amount of 3,076,208.91 Euros compared to 1,279,804 Euros in 2018 (855,929 Euros in 2017), following the trust deposited in our project by the financial markets, as shown in the development of our share price in the alternative stock market in 2019 and 2020.

Equity at 30th June 2020 has been adversely affected by the half-yearly losses, which have been reduced by the increases in share capital.

Equity in 2020 (at 30th June) is 4,898,846 Euros. Equity in 2019 considerably increased to 4,382,193.89 Euros from the amount of 2,588,176 Euros in 2018. The Company's equity at 30th June 2020 is the same as in the previous financial years 2019 and 2018, which, for the purposes of the commercial regulation, is balanced and above the requirements established in the Corporations Act (art. 327). The profit participation loan granted by the Valencian Finance Institute on 15th June 2013 is taken into account in the calculations.

It is considered that the Company will continue with its activity, margins and international expansion in the upcoming years.

Recurrent revenues

Segmented between the sale of recurring or perpetual licences, the Company's income types also include other sources including services such as support, maintenance, certification, consulting, upgrades or specific development. Currently, recurring licence sales represent 60% of the Company's turnover. Therefore, FacePhi's future success shall depend upon the renewal of recurring licences, attracting new customers, selling new licences or products to its existing customers, increasing the number of recurring licences sold or developing new products. Notwithstanding the foregoing, the entire base of already installed perpetual licences generates a recurring margin of between 15 and 22% of each bank's corresponding turnover in concept of support, maintenance and upgrade services.

Company performance forecast.

It is expected that the company will consolidate its position in all existing markets and expand further within the banking sector with the addition of new countries, continents and customers. In line with its business plan, we also foresee a substantial increase in its turnover and customer base in the forthcoming months and years.

The Company has seen a substantial increase in the implementation and development of its business plan, mostly due to the success achieved following the integrations and production readiness, as well as the integration of high class, top rated customers from the banking industry. Thanks to the highly satisfactory ease of integration and user acceptance experienced by the initial customers who purchased the technology, this has resulted in reductions in future clients' decision times for the acquisition of the technology, as this is a tried product already in production and tested by millions of users. Having customers undergoing production has represented a major milestone that has seen the Company become a front row “player” in terms of banking authentication systems.

For all the above reasons, the Company's Administrators have decided to prepare these financial statements under the principle of going concern.

f) Comparison of information

For comparison purposes, the Company's Administrators have provided in each of the balance sheets, the profit/ loss account, the statement of changes in equity, the statement of cash flows and the quantitative information required in the notes to the interim financial statements, in addition to the figures corresponding to the six-month period ending 30th June 2020, with the figures corresponding to the financial year ending 31st December 2019, which are part of the financial statements for financial year 2019, except for the profit/loss account which is provided for this purpose to be compared with the figures from the same period of the previous financial year at 30thJune 2019.

g) Changes to accounting criteria and correction of errors

At 30th June 2020, the Company has not carried out any adjustments due to changes in the accounting criteria applied during financial year 2019 and it was not required to correct any errors from the current or previous financial years either.

3. Basis of measurement

Below is a list of the most significant accounting principles and valuation standards applied in the preparation of these explanatory notes.

3.1 Intangible fixed assets

Intangible fixed assets are recognised at purchase or production cost. Intangible fixed assets are shown in these financial statements at cost, including any applicable accumulated deductions arising from depreciation and accumulated impairment losses.

Intangible fixed assets are assets with a definite useful life and, consequently, they shall be subject to systematic amortisation in the period during which the economic benefits inherent to the asset are reasonably expected to produce yield for the company.

Any assets with useful lives that cannot be reliably estimated are depreciated over a period of ten years.

In either case, and at least on an annual basis, it must be assessed whether there are indications of a possible loss in value in order to check for impairment where applicable.

a) Research and development expenses

All *research expenses* are recognised as an expense in the period in which they are incurred. However, these may be capitalised as intangible fixed assets as soon as they meet the following requirements:

- They are specifically itemised by project and the related costs are clearly identified so that they can be allocated over time.
- There is a clear connection between the research project and the expected and achieved results. This requirement is assessed in generic terms for each group of activities interconnected by a common purpose.
- There are sound reasons for expecting technical success and economic and commercial profitability for the corresponding project.

Research expenses are depreciated over a period of 5 years.

On the other hand, *development expenses* are directly capitalised as soon as these meet the following requirements:

- There is a specific itemised project that makes it possible to measure the expenditure attributable to the project's development reliably.
- There is a clearly established allocation, assignment and distribution of the costs for each project over a period of time.
- There are justified reasons to expect technical success for the project development at all times, both if it was intended to directly exploit its benefits or to sell the resulting project to any third party once completed, provided that there is a market available.
- There are reasonable assurances to guarantee the project's financial profitability.
- There are reasonable assurances to guarantee funding for the different projects to be completed. In addition to ensuring the availability of adequate technical and other resources to complete the project and to use or sell the intangible asset.
- There is an intention to complete the intangible asset and use or sell it.

In each financial year while the project remains active, the Company verifies compliance with all the above conditions and capitalises the resulting amount from the moment when these conditions are met.

Under any circumstances the disbursements initially recognised as expenses in the financial year and that subsequently met the above-mentioned conditions for their capitalisation are capitalised.

The projects carried out using the company's own resources are recognised at their production cost, which comprises all the costs directly attributable and necessary for creating, producing and preparing the asset so that it can operate as expected.

Other development expenses are recognised as an expense in the period in which they are incurred. Any development costs that were previously recognised as an expense are not capitalised in subsequent financial years. These are depreciated on a straight-line basis along the estimated useful life of each corresponding project without exceeding 5 years. Development costs are capitalised in conformity with the conditions stated above in this same section.

Should there be any variations to the favourable project circumstances that allowed for the capitalisation of its development costs, any amounts outstanding to be depreciated shall be charged to profit/ loss in the financial year when these circumstances have changed.

Estimations regarding the potential impairment of intangible fixed assets are based upon the achievement of future cash flows arising from the fulfilment of the Business Plan set out by the Company adjusted using a market discount rate. The above-mentioned plan supports the commercial success of any research and development costs that have been capitalised as well as their recoverability.

At 30th June 2020, the Company estimated that there were no indications of impairment on its intangible fixed assets since the Administrators have high expectations in the fulfilment of the business plan, which demonstrates that, based on their forecasts, the total amount corresponding to intangible fixed assets and tax credits shall be recovered in full over the forthcoming financial years.

b) <u>Software applications</u>

Licences for IT software purchased from third parties are capitalised on the basis of the costs incurred to purchase them and prepare them for use in the specific software. IT applications are depreciated on a straight-line basis over a period of 6 years.

All IT software maintenance expenses are recognised as expenses in the period in which they are incurred. All costs that are directly related to the production of unique and identifiable IT software controlled by the Company, and provided that it is probable that they will yield economic benefits that outweigh their costs for a period of over a year are recognised as intangible assets. Direct costs include expenses for staff developing the IT software and an appropriate percentage of the general overheads.

IT software development costs recognised as assets are depreciated over their estimated useful lives (not exceeding 6 years).

c) <u>Intellectual property</u>

Intellectual property is measured according to the costs incurred to obtain ownership or usage rights, or the assignation in use of its different expressions, provided that the economic conditions arising from the agreement should be inventoried by the purchasing company. These shall include, among others, patents of invention, utility models protection certificates, industrial design and patents of introduction.

Intellectual property rights are recognised at purchase or production cost. This heading shall include the carrying amounts of any capitalised development costs when the corresponding patent or similar is granted, including any intellectual property registration and processing costs, and provided that the necessary legal conditions are met for their registration in the relevant registers, notwithstanding any amounts that may also be recognised following the purchase of the corresponding rights from third parties. Research costs shall continue to be depreciated as usual and shall not be included in the intellectual property's carrying amount under any circumstances. They have an estimated useful life between 10 to 20 years.

3.2 Tangible fixed assets

All tangible fixed assets elements are recognised at purchase or production cost less any accumulated depreciation and, where applicable, any recognised impairment losses.

Any tangible fixed asset's expansion, modernisation or refurbishments costs are only capitalised as an increase in the asset's value when they represent an increase in their productivity, capacity or useful life, and provided that it is possible to know or estimate the carrying amounts of any elements removed from the inventory following their replacement.

Major repair costs are capitalised and depreciated over the asset's estimated useful life, whereas recurring maintenance costs are charged to profit/ loss in the financial year in which they are incurred.

Except in the case of lands that are not depreciated, the depreciation of tangible fixed assets is calculated on the straight-line basis and based upon their nature, and in view of their actual depreciation caused by their operation, use and benefit.

Their estimated useful lives are as follows:

Element	Annual percentage	Years of useful life	Method
Other installations	10%	10	Straight line basis
Furniture	10%	10	Straight line basis
IT equipment	12.5%-25%	4-8	Straight line basis
Other tangible fixed assets	10%-20%	5-10	Straight line basis

All assets' residual values and useful lives are reviewed, and adjusted if necessary, at each balance sheet date.

Should their carrying amount exceed their estimated recoverable amount, the former is immediately reduced to match the latter (Note 3.3).

Any profit/ loss arising from the disposal of any tangible fixed assets is calculated by comparing the proceeds obtained from the sale with the carrying amount and posting the balance to profit/loss.

3.3 Impairment of non-current assets

Since the Company owns intangible assets with an indefinite useful life and goodwill arising from purchasing Group companies, at the end of each financial year or period in which an interim financial report is issued, an "impairment test" is carried out to estimate the potential losses in value that may reduce the recoverable amount of these assets to an amount lower than their carrying amount.

At the end of each financial year, an "impairment test" is carried out to estimate the potential losses in value that may reduce the recoverable amount of these assets to an amount lower than their carrying amount.

The procedure implemented by the Company's Management to carry out said test is the following:

- The recoverable amounts are calculated for each cash generating unit (hereinafter, CGU), although in the case of tangible fixed assets, whenever possible, the impairment calculations are made individually, item by item.
- The recoverable amount is determined as the higher amount of the fair value less costs of disposal and its value in use. The Administrators consider that said fair value less costs of disposal is not different from its value in use. Fair value is calculated by deducting cash flow projections for a five-year period, calculating a terminal value based on the flow from the last forecast year, provided that said flow is representative of a normalised flow, and applying a growth rate that cannot be under any circumstances higher than that estimated in the long term for the market in which the Company and the Group to which it belongs is operating.
- Projections are prepared for each CGU based on past experience and depending on the best estimations available, which are consistent with the Company's business plans. The main components are:

- Profit/loss projections,
- Investment and current capital projections.

Other variables that influence the calculation of the recoverable amount are:

- Applicable discount rate, which is the weighted average cost of capital, being the liability costs and the specific risks of the assets the main variables that influence its calculation.
- Growth rate of the cash flows, which is used to extrapolate the cash flow projections beyond the period covered by the budgets or estimations.

The Company and its group have updated its five-year business plan, which has been used as the basis for carrying out a new impairment test on the Company's non-financial assets, as well as for evaluating the financial assets related to the investment in Group companies controlled by the Company.

Impairment test at 30th June 2020:

According to the above-indicated procedures, the Company has carried out in-house the corresponding impairment test of the investments in financial investments in Group companies. In this regard, the Governing Body does not consider it necessary the intervention of an independent expert for the time being.

The main hypotheses used in the impairment test are the following:

30th June 2020			
CGU	Discount rate (WACC)	Growth Rate	Residual Value Percentage
Ecertic	11.12%	2%	79%

In this regard, no impairment was deemed necessary to be recorded on the basis of the assessment carried out at 30th June 2020.

3.4 Financial assets

Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. They are included in current assets, except for maturities over 12 months from the balance sheet date, which are classified as non-current assets. Loans and receivables are included under the heading "Companies' payables" and "Trade and other receivables" in the balance sheet.

These financial assets are initially recognised at fair value, including any directly attributable transaction costs incurred, and are subsequently carried at their depreciated cost with any interest income recognised on the basis of the effective interest rate, which is defined as discount rate that matches the carrying amount of the instrument with the expected flow of projected future cash flows until its maturity. Notwithstanding the foregoing, any trade receivables with a maturity of under one year are measured, both initially and subsequently, at their nominal value if the effect of not adjusting the cash flows is not significant.

At least at the end of each financial year, the Company undertakes the necessary corrections in value due to impairment when there is objective evidence that it will not be possible to collect all amounts due.

Losses due to impairment in value are the balance between the carrying amount of the relevant asset and the current value of estimated future cash flows discounted at the effective interest rate at the time of their initial recognition. Value adjustments recognised and, where applicable, reversed are charged and credited to profit/ loss.

Investments in equity of group companies, multigroup and associated companies

Group companies are those over which the Company has control, either directly or indirectly through dependent companies, pursuant to art. 42 of the Code of Commerce or when the companies are controlled in any way by one or several natural or legal persons acting jointly or being placed under single management by agreements or provisions included in the Articles of Association.

Control is understood as the power to govern financial and operating policies of a company with the aim of obtaining benefits from its activity, taking into consideration in this sense the potential voting rights, either exercisable or convertible, owned by the Company or third parties at the end of the financial year.

Associated companies are those over which the Company has significant influence, either directly or indirectly through dependent companies. Significant influence is understood as the power to intervene in the decisions of financial and operating policies of a company, without this meaning there exists control or joint control over the same. When assessing whether there exists significant influence, the potential voting rights, either exercisable or convertible, at the end of the financial year must be taken into consideration, as well as the potential voting rights owned by the Company or other companies.

After their initial recognition, they are measured at their costs, after deducting the accumulated amount of the correction in value due to impairment losses.

When certain investment no longer meets the conditions to be classified under this category, it is reclassified as investments available for sale and they will be measured as such from the date of reclassification.

At least at the end of each financial year, the Company undertakes the necessary corrections in value when there is objective evidence that the carrying amount of an investment will not be recoverable. The amount of the correction in value will be the balance between the carrying amount and the recoverable amount, the latter being the higher amount of its fair value less the costs of disposal and the current value of the future cash flows arising from the investment.

3.5 Equity

The share capital is represented by shares. Any costs arising from the issuing of new shares or options are directly deducted from equity as a reduction in the reserves.

Own equity instruments owned by the Company

The acquisition of equity instruments by the Company is shown at acquisition cost separately as a reduction of shareholders’ equity in the balance sheet. In the transactions undertaken with own equity instruments no results are recognised in the profit/ loss account.

Transaction costs related to own equity instruments, including issuing costs related to a business combination are recognised as a reduction of reserves, once any tax effect has been considered.

Dividends related to equity instruments are recognised as a reduction of equity at the time they are approved by the Annual General Shareholder’s meeting.

3.6 Financial liabilities

Debts and other payables

This category includes trade and non-trade payables. Borrowings are classified as current liabilities unless the Company has unconditional rights to defer their repayment for at least 12 months after year end.

These debts are initially recognised at fair value, including any directly attributable transaction costs incurred, and are subsequently carried at their depreciated cost on the basis of the effective interest rate. This effective interest rate is defined as the discount rate that matches the carrying amount of the instrument with the expected flow of projected future cash flows until its maturity.

Notwithstanding the foregoing, any trade payables with a maturity of under one year that do not have a contractual interest rate are measured, both initially and subsequently, at their nominal value if the effect of not adjusting the cash flows is not significant.

If existing debt is renegotiated, no substantial changes to the financial liability are deemed to exist when the new lender is the same as the original lender and the current value of the cash flows, including net commissions, does not differ by more than 10% from the current value of the outstanding cash flows from the original liability calculated using the same method.

Derecognition

Financial liabilities are derecognised by the Company when the obligations giving rise to them cease to exist.

In the event of an exchange of debt instruments with substantially different terms, these shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Likewise, the Company shall record substantial changes to the current terms of the financial liability.

Any balances between the carrying amount of either the full financial liability or the part derecognised and the consideration paid, plus any costs attributable to the transaction, that shall also include any assets transferred other than cash or the liability assumed, shall be recognised in profit/ loss in the corresponding financial year.

In the event of an exchange of debt instruments where the terms are not substantially different, the original financial liability is not removed from the balance sheet and any commissions paid are recognised as an adjustment to the carrying amount. A new depreciated cost for the financial liability shall be determined by applying the effective interest rate that matches the carrying amount of the financial liability at the date of modification with the cash flows to be paid according to the new terms.

3.7 Classification of current and non-current assets and liabilities

Assets and liabilities are classified as either current or non-current in the Company's balance sheet. For these purposes, current assets and liabilities are those that meet the following criteria:

- Assets are classified as current when the Company either expects to realise, sell or consume them within its normal operating cycle, or when they are held primarily for the purpose of trading, they are expected to be realised within twelve months from the balance sheet date or are cash or a cash equivalent, unless the assets may not be exchanged or used to settle a liability for at least twelve months from year end.

- Liabilities are classified as current when the Company either expects to settle them within its normal operating cycle, or when they are held primarily for the purpose of trading, they are due to be settled within twelve months from the balance sheet date or the Company does not have an unconditional rights to defer settlement of the liability for at least twelve months from year end.

- Financial liabilities are classified as current when the Company expects to settle them within twelve months from year end date although the original term was for a period longer than twelve months, and an agreement to refinance, or to reschedule repayments on a long-term basis is completed after the reporting period and before the financial statements are prepared.

All other assets and liabilities that do not meet the above conditions are classed as "non-current".

3.8 Grants, donations and legacies

Refundable grants are recognised as liabilities until the conditions required for them to be considered non-refundable are met. On the other hand, non-refundable grants are directly posted to equity and recognised as income on a systematic and rational basis that correlates to the expenses arising from the grant. Non-refundable grants received from shareholders are posted directly to shareholders' equity.

For these purposes, a grant is considered non-refundable when it is based upon an individual agreement, all the conditions established therein have been met and there are no reasonable doubts that it will be collected.

Monetary grants are measured at the fair value of the amount received, while non-monetary grants are measured at the fair value of the item received. In both cases, these shall be the current values at the time of their initial recognition.

Non-refundable grants related to the purchase of tangible or intangible fixed assets and real estate investments are recognised as income for the year in proportion to the depreciation of the corresponding assets or, if applicable, when these are either sold, or when there is an impairment adjustment or they are derecognised in the balance sheet. On the other hand, non-refundable grants related to specific expenses are posted to profit/ loss account in the same financial year in which the corresponding expenses have been incurred and those granted to off-set an operating deficit are posted in the year in which they are granted, except when used to offset an operating deficit in future financial years, in which case, they are posted to profit/ loss in the corresponding financial years.

3.9 Income tax

Income tax expense/ income is the amount of tax becoming due during the financial year and it comprises both current and deferred tax expense/ income.

Both the current and deferred tax expense (income) are recognised in profit/ loss. However, the tax effect of any items directly posted to equity are also recognised in equity.

Current tax assets and liabilities are measured as the amounts that are expected to be paid or received from the Tax Authorities pursuant to currently enacted or substantively enacted regulations at year end.

Deferred tax is calculated in accordance with the liability method, based upon the temporary differences arising between the accounting treatment of assets and liabilities and their carrying amounts. However, if the deferred tax arises from the initial recognition of an asset or liability as part of a transaction that is neither a business combination nor has affected the accounting profit or taxable profit at the time when the transaction took place, these shall not be recognised. Deferred tax is determined by applying the regulations and tax rates that have been enacted or substantively enacted by the year end and that are expected to apply when the relevant deferred tax asset is realised or the deferred tax liabilities are settled.

Deferred tax assets are only recognised to the extent that it is probable that taxable profits will be available in the future against which these deductible temporary differences can be offset.

3.10 Staff benefits

a) Redundancy compensation

Redundancy compensations are paid to staff as a consequence of the Company's decision to terminate their employment before the normal retirement age. These compensations are recognised by the Company when it is demonstrably committed to terminate the staff member's terms of employment in accordance with a detailed approved plan, without the possibility of withdrawal. Any compensations that are not due to be paid in the twelve months following the date of the balance sheet are deducted from their current value.

b) Profit sharing and bonus payment plans

A liability and an expense corresponding to the financial year end bonus is calculated and recognised by the Company using a formula that takes into account the evolution of its capitalisation during the relevant financial year. A provision is also recognised when contractually bound or where there is a past practice that has created a constructive obligation.

c) Non-competence agreement

There are several employment agreements signed by the Company that include non-competence clauses. However, the Administrators have considered that the conditions are not met to record a liability and an expense due to the low, almost nil probability of occurrence.

d) Payments based on equity instruments

Any transactions involving the exchange for goods or services, included those provided by staff, that are settled by the Company with own equity instruments or according to an amount calculated on the basis of these, such as share options or share appreciation rights, are considered as transactions with payments based on equity instruments.

At 31st December 2019, there were no incentives schemes or staff and/ or directors remuneration policies where the relevant payments and settlements involved any own equity instruments.

Measurement

In the case of transactions involving staff that are settled with equity instruments, both the services provided as well as the increase in equity to be recognised are measured at the fair value of the equity instruments assigned at the date of the assignment agreement.

Any transactions settled with equity instruments in exchange for goods or services other than those provided by staff where the value can be estimated reliably shall be measured at the fair value of the goods and services received at the date when these are received. If the fair value of the goods and services received cannot be estimated reliably, the goods or services received and the corresponding increase in equity shall be measured at the fair value of the equity instruments assigned on the date when the Company has obtained the goods or received the services.

Once the goods and services received have been recognised in conformity with the stipulations included in the above paragraphs, as well as the corresponding increase in equity, no further equity adjustments shall be possible after the vesting date.

In the case of transactions settled in cash, the goods and services received and the corresponding liabilities recognised shall be measured at the fair value of the liability on the date when the requirements for their recognition were met.

At the end of each reporting period and until the liability is settled, the fair value of the liability is measured, with any changes in its fair value recognised in profit/ loss for the year.

3.11 Provisions and contingencies

Provisions for environmental restoration, restructuring costs and litigation are recognised when the Company has a current legal or implicit obligation as a result of past events, it becomes probable that an outflow of resources may be required to settle the obligation and the amount can be reliably estimated. Provisions for restructuring costs include fines applied following early termination of property leases and redundancy compensations paid to staff. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the consideration required to settle the obligation using an interest rate that reflects current market assessments of the time value of money and the risks specific to the liability. Any adjustments arising from the restatement of these provisions are recognised as a financial expense when these are accrued.

Provisions maturing in one year or less that do not have a significant financial effect are not discounted.

When part of the disbursement required to settle the provision is expected to be paid by a third party, the reimbursement is recognised as a separate asset provided that its collection is practically assured.

On the other hand, contingent liabilities are those possible obligations arising from past events which may or may not materialise, depending on one or more future events outside the Company's control.

Although these contingent liabilities are not recognised, they are shown in a detailed breakdown provided in the explanatory notes.

3.12 Revenue recognition

Revenue is measured at the fair value of the consideration to be received and represents the amounts receivable for goods and services provided in the Company's normal course of business, net of returns, rebates, discounts and value added tax.

Income is recognised by the Company when it can be measured reliably, it is probable that the future economic benefits will flow towards the Company and if the specific conditions for each of the activities are met as detailed below. It is not considered that the amount of the revenues can be measured reliably until all sale related contingencies have been resolved. All Company estimates are based upon historical data, taking into consideration the type of customer, transaction and the specific terms in each arrangement.

Revenues arising from the sale of rights to use (licensing) the facial biometrics recognition technology software (FacePhi SDK) are recognised by the Company when all risks and rewards of ownership have been transferred to the buyer and the above mentioned conditions stated in the above paragraph are met. At the same time, a charge is made to profit/ loss depending on the licensing period, that may be in perpetuity or for a defined term as stated in the agreement.

Any income arising from maintenance and support services are recognised on the basis of their period of accrual.

3.13 Leases

When the Company acts as the lessee – Operating leases

Leases where the lessor retains a substantial part of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit/ loss for the financial year in which they become due on a straight line basis over the term of the contract.

3.14 Foreign currency transactions

Transactions in foreign currencies are converted to the Company's functional currency by applying the exchange rates prevailing at the date of the transaction. Any profit/ loss resulting from the settlement of the above foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end are recognised in profit/ loss, except when deferred in equity as in the case of qualifying cash flow hedges and qualifying net investment hedges.

3.15 Transactions with Group companies

Transactions among Group companies are recognised at fair value of the consideration to be given or received. Any balance between said value and the agreed value is recognised according to the underlying economic substance.

3.16 Risk management

The management of the financial risks by the Company is aimed at establishing the required procedures to control its exposure to different types of risks. These include market risks (including currency exchange rates, interest rates, and other pricing risks), credit and liquidity risks. Risk management is controlled by the Company's Board of Directors with the support of the management's control departments.

Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as trade and debts such as other receivables and committed transactions. In regard to banks and financial institutions, the Company only operates with entities of renowned solvency and prestige.

Normally, among the main Company debtors, none are affected by any specific credit risks in regard to the settlement of outstanding balances becoming due at the end of the period due to their high credit rating.

Liquidity risk

In order to guarantee liquidity and meet all payment commitments arising from its activity, the Company has cash as shown in the balance sheet, as well as credit and funding lines as detailed in note 9.

Prudent liquidity risk management implies maintaining sufficient cash and realisable assets and the availability of sufficient funding in the form of sufficient credit facilities to cover credit obligations and the capacity to settle market positions. Given the dynamic nature of business, the Company's policy lies on obtaining flexible funding.

Market risk

a. Interest rates risk

As the Company does not have a considerable amount of remunerated assets, income and cash flows from operating activities are not significantly affected by fluctuations in market interest rates.

The Company's interest rate risk arises from non-current borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to interest rate risk on the fair value.

At the end of financial year, the Administrators considered that the estimated risks arising from interest rate fluctuations are not significant in view of the debts currently maintained by the Company.

b. Foreign exchange rates risk

Since the Company operates internationally, some of its business is therefore exposed to foreign exchange risks. Foreign currency risk arises from future commercial transactions, as well as recognised assets and liabilities. In order to minimise this risk, the Company maintains an appropriate balance between foreign currency collections and payments.

c. Price risk

This type of risk does not affect the Company as it has no investments in listed companies.

Fair value assessment

It is assumed that the carrying amount of trade payables and receivables approximates their fair value. For financial reporting purposes, the fair value of financial liabilities is estimated by discounting future contractual cash flows at the current market interest rate which can be obtained by the Company for similar financial instruments.

4. Intangible fixed assets

Below is a breakdown of all movements recorded in the "Intangible fixed assets" heading:

	Euros						
	Balance at 31.12.18	Additions	Retirements	Balance at 31.12.19	Additions	Retirements	Balance at 30.06.20
Cost:							
Research	56,958	---	---	56,958	---	---	56,958
Development	2,183,448	594,556	---	2,778,004	430,465	---	3,208,469
Intellectual property	11,378	---	---	11,378	22,137	---	33,514
Software applications	27,899	213,751	---	241,650	68,103	---	309,753
Total cost	**2,279,683**	**808,306**	**---**	**3,087,989**	**520,705**	**---**	**3,608,695**
Accumulated depreciation:							
Research	(56,958)	---	---	(56,958)	---	---	(56,958)
Development	(958,553)	(436,690)	---	(1,395,243)	(206,262)	---	(1,601,505)
Intellectual property	(676)	(569)	---	(1,245)	(459)	---	(1,703)
Software applications	(13,521)	(10,458)	---	(23,979)	(22,991)	---	(46,970)
Total accumulated depreciation	**(1,029,708)**	**(447,716)**	**---**	**(1,477,425)**	**(229,711)**	**---**	**(1,707,136)**
Net carrying amount	**1,249,975**			**1,610,565**			**1,901,559**

a) Research and Development

Capitalised research and development expenses at 30th June 2020 and 31st December 2019 are those corresponding to the following milestones:

	Euros
Description: 2020 Project (at 30th June)	**Amount**
Improvements Software Development Kit (SDK) FACEPHI	430,465
Total	**430,465**

	Euros
Description: 2019 project	**Amount**
Improvements Software Development Kit (SDK) FACEPHI	594,556
Total	**594,556**

	Euros
Description: 2018 project	**Amount**
Improvements Software Development Kit (SDK) FACEPHI	482,866
Total	**482,866**

Capitalised developments at 30th June 2020 and 31st December 2019 have consisted mainly of improvements to security features against fraud, interactive guides to assist users during registration and technology integration tools in multiplatform applications. Following the tests and trials undergone, it is considered that these technologies are in working order and that their development has concluded.

The Company's Administrators consider that the research and development costs capitalised meet each and every one of the conditions established in section 3.1 a) of this report since the full amount corresponding to the Company's turnover as reflected in the profit/loss account coincides with the returns obtained from the marketing of its only capitalised project.

b) Intellectual property

FacePhi Biometría are the owners of the Selphi and FacePhi Beyond Biometrics trademarks, and their ownership grants the protection of these trademarks both within the EU territory (EU trademarks No. 015106354 and 015114853 respectively) as well as within the US territory, pursuant to the trademarks granted by the USPTO (United States Patent and Trademark Office certificate No. 79190080 and 79190126).

Likewise, the following EU Trademarks have been registered under No. 017896710 LookΦ No. 017948110 inPhinite; No. 017948113 4Phingers; No. 017948116 Phivox; No. 017948119 SignPhi; No. 017948878 SelphID. Following the entry into force of the Trade Secrets Act 1/2019 of 20th February, a new scenario shall be established with more legal security for any secret knowledge (algorithms, know-how, etc.) than before, resulting in further protection against the potential breach of trade secrets. Currently, the Company owns as assets the ownership rights of the following registered trademarks:

• FACEPHI BEYOND BIOMETRICS	• PHIVOX
• SELPHI, YOU BLINK, YOU´RE IN	• SELPHI ID
• LOOK & PHI	• SIGNPHI
• INPHINITE	

Main additions in financial year 2020 correspond to in-house staff work in drafting manuals for the compliance and implementation of standard ISO 30107 through its proof of life and facial biometry identity verification technology amounting to 12,588 Euros.

c) Software applications

Main additions in financial years 2019 and 2020 correspond to the acquisition of software codes from certain suppliers that subsequently are used in the “onboarding” technologies developed by the Company.

d) Fully depreciated intangible fixed assets.

At 30th June 2020 and 31st December 2019, the Company maintained in its intangible fixed assets fully depreciated assets that are still being used, as shown below:

	Euros	
	30.06.20	**31.12.19**
Research	8,293	---
Development	56,958	56,958
Software applications	720,381	720,381
Total	**785,633**	**777,340**

e) Other information

At 30th June 2020, the Company has not recognised any grants for capitalised R&D expenses.

At 30th June 2020 and 31st December 2019, there were no firm commitments with any third parties for investments or to sell any intangible fixed assets.

No financial expenses were capitalised and there were no intangible fixed assets abroad. All intangible fixed assets were assigned to operations and were not affected by any restrictions or guarantee deposits. No reversals or corrections were made either to the carrying amounts of any intangible fixed assets due to impairment losses.

5. Tangible fixed assets

Below is a breakdown of all movements recorded in the Tangible fixed assets heading:

	Balance at 31.12.18	Additions	Retirements	Balance at 31.12.19	Additions	Retirements	Balance at 30.06.20
Cost:							
Technical fittings and other fixed assets	75,219	8,232	---	83,451	83,216	---	166,667
Total cost	**75,219**	**8,232**	**---**	**83,451**	**83,216**	**---**	**166,667**
Accumulated depreciation:							
Technical fittings and other fixed assets	(33,900)	(10,568)	---	(44,468)	(6,985)	---	(51,453)
Total accumulated depreciation	**(33,900)**	**(10,568)**	**---**	**(44,468)**	**(6,985)**	**---**	**(51,453)**
Net carrying amount	**41,319**			**38,983**			**115,214**

Main additions in financial year 2020 correspond to furniture and other facilities associated to the extension of the office space (note 6).

a) Fully depreciated assets

At 30th June 2020, there were fully depreciated tangible fixed assets amounting to 12,387 Euros (same amount at 31st December 2019).

b) Insurance

The Company has taken out insurance policies to cover the risks that the different elements included within the tangible fixed assets heading are subject to. It is considered that the above policies provide sufficient cover.

c) Other information

No financial expenses have been capitalised, there were no tangible fixed assets abroad and they were not subject to any restrictions or affected by guarantee deposits. No reversals or corrections were made either to the carrying amounts of any tangible fixed assets due to impairment losses.

Likewise, at 30th June 2020 and 31st December 2019, there were no firm commitments for investments to purchase or sell any tangible fixed assets.

d) Operating leases:

Below is a list of future minimum payments corresponding to non-cancellable operating leases:

Future minimum payments	30.06.20	31.12.19
Under 1 year	116,386	44,969
Between 1 and 5 years	152,100	32,981
Over 5 years	---	---
Total	**268,486**	**77,951**

Following is a breakdown of the lease amounts charged to expenses in the financial year including the description of the most significant lease agreements:

Lease description	Expense 30.06.20	Expense in financial year 2019	Expiry date	Renewal	Price review criteria

Offices, parking spaces and storage room	16,213	38,897	01/10/2022	N/A	YES (CPI)
IT equipment	---	1,745	10/11/2019	N/A	NO
IT equipment	---	369	27/05/2019	N/A	NO
IT equipment	---	193	31/03/2019	N/A	NO
IT equipment	347	504	21/05/2024	N/A	NO
IT equipment	2,504	---	18/06/2021	N/A	NO
IT equipment	629	---	18/06/2024	N/A	NO
Transport elements	10,466	30,659	03/01/2022	N/A	NO
Transport elements	20,490	---	08/01/2023	N/A	NO
Total	**50,650**	**72,368**			

During financial year 2017, the Company entered into two separate vehicle operating lease agreements, initially in favour of members to the Board of Directors that are still in force. Their monthly instalments amount to 1,256 Euros per vehicle, and they are due to expire on 3rd January 2022. Since it is not expected that the Company's management will take advantage of the purchase option upon expiry, both agreements have been classed as operating leases. On 18th March 2020, the Company terminated one of the agreements before the expiry date by subrogation by a third party.

Likewise, on 1st October 2017 a new agreement was entered into by the Company to lease the office space from where its business is based for a further 5 year period and a monthly payment of 2,800 Euros including an early termination clause that requires a minimum of 2 months' notice in addition to the payment of 3 months' compensation. A total of 5,400 Euros was paid by the Company in concept of guarantee deposit.

During the first semester of 2020, a new lease agreement was entered into by the company to extend its headquarters and corporate offices for a 5 year period and a monthly payment of 2,493 Euros, including an early termination clause that requires a minimum of 3 months' notice after the first 3 years of the agreement in addition to the payment of a compensation equal to 3 instalments. A total of 4,986 Euros was paid by the Company in concept of guarantee deposit.

On the other hand, on 8 January 2020, the Company entered into two separate vehicle operating lease agreements in favour of members to the Board of Directors. Their monthly instalments amount to 2,223 Euros per vehicle, and they are due to expire in 3 years.

6. Non-current financial investments in Group companies

Shares in group companies

FacePhi APAC, LTD

The Company contributed 100% of the share capital ofFacePhi APAC, LTD,a new subsidiary incorporated on 15th October 2019 for an indefinite time, with registered address in Pangyo (South Korea) as part of its internationalisation and business development strategy . The Company was incorporated with a seed capital of 100,000,000 KRW, which equals to an amount of 81,264 Euros, fully subscribed and paid up by the Company as single partner.

The shares in equity instruments in Group companies in accordance with the criteria described in note 3.4, are measured by the initial consideration at the currency exchange rate at the the purchase or subscription date. Since the subsidiary Company had not started their operating activity at 30th June 2020, no impairment on the investment value was deemed necessary, as the losses generated by the subsidiary are brought under its start-up expenses. The unaudited equity value as of that date amounted to a negative sum of 140,803 Euros.

Ecertic Digital Solutions, S.L.

As reported through a Material Event dated 23rd January 2020, the Company notarised on 20th April 2020 the purchase agreement of 100% of the shares of the company Ecertic Digital Solutions, S.L. amounting to 2 million Euros. The Company's management considers that with this transaction, they achieved the strategic goal of boosting the digital onboarding service within its trade portfolio and consolidating its leadership within the field of identification and authentication, both nationally and internationally. The transaction was settled in cash for an amount of 1,159,999 Euros in addition to 164,706 Company's treasury shares for an amount of 840,001 Euros (note 8.1.c). On 30th April 2020, a right of pledge of 25% over said shares was secured by public deed in favour of the Company as a security in the event of failure of their obligation to remain as Company employees and/or their non-competition obligation agreed upon by the recipients of these shares for a 2 year period.

At 30th June 2020, the unaudited equity value as of that date amounted to a sum of 372,806 Euros. In this regard, the Company's management carried out in-house an impairment test on the recoverable amount of the investment made in said company using the cash flow discount valuation method. No impairment on the investment value was found (note 3.3).

Financial loans

At 31st December 2019, the Company had entered into a loan agreement with Facephi APC Ltd for a sum of 88,051 Euros, with a maximum maturity of 3 years and payment of interests equal to the money legal interest. Nevertheless, on 30th June 2020, the parties entered into a new agreement for a sum of 180,327 Euros that annuls the previous one, with a maturity date of principal and interest on 31st December 2025, and payment of interests equal to the money legal interest. At 30th June 2020, the accrued and capitalised interests in the principal of the loan amounted to 2,391 Euros.

7. Financial assets

7.1 Analysis by category

Below are the carrying amounts for each category of financial instruments as established by the registration and valuation standards rule for "Financial instruments", except balances with Public Authorities (note 10):

	Euros			
	Credit, derivatives and other			
	Short term		**Long term**	
	30.06.20	**31.12.19**	**30.06.20**	**31.12.19**
Loans and receivables (Note 7.3)(*)	6,322,007	8,251,124	22,548	497,985
TOTAL	**6,322,007**	**8,251,124**	**22,548**	**497,985**

(*) Does not include balances with Public Authorities.

In the case of financial assets carried at cost or depreciated cost, there are no significant differences between their carrying amount and their fair value.

7.2 Analysis by maturity

At 30th June 2020 the carrying amounts of financial instruments on the assets side with fixed or determinable maturities classified by year of maturity were as follows:

	Financial assets					
	30/6/21	**30/6/22**	**30/6/23**	**30/6/24**	**Subsequent years**	**Total**
Other financial assets (*)	6,322,007	8,400	9,162	---	4,986	6,344,555
	6,322,007	**8,400**	**9,162**	**---**	**4,986**	**6,344,555**

At 31st December 2019:

	Financial assets					
	2020	2021	2022	2023	Subsequent years	Total
Other financial investments:						
Other financial assets (*)	8,251,124	489,585	8,400	---	---	8,749,109
	8,251,124	**489,585**	**8,400**	**---**	**---**	**8,749,109**

(*) Does not include balances with Public Authorities (note 12).

7.3 Loans and other receivables

	Euros	
	30.06.20	**31.12.19**
Non-current loans and other receivables:		
Other financial assets	22,548	497,985
	22,548	**497,985**
Current loans and other receivables:		
Trade accounts receivables	6,549,065	8,929,016
Losses due to impairment in trade receivables	(922,365)	(749,097)
Receivables	48,644	---
Group company receivables (note 13)	150,000	65,000
Advance payments to suppliers	---	301
Staff	500	1,200
Other Public Authorities' payables (note 10.1)	114,718	30,202
Other financial assets	496,163	5,004
	6,436,725	**8,281,626**
	6,459,273	**8,779,611**

The Company has payment conditions with its clients for a period of up to one year, which is why at 30th June 2020, a significant percentage of the balance corresponds to credits from financial year 2019.

Other financial assets

At 30th June 2020, the heading "Other non-current financial assets" included guarantee deposits paid for the lease of office space in the amount of 13,386 Euros (8,400 Euros at 31st December 2019), in addition to the sum of 9,162 Euros corresponding to a guarantee issued with one of its clients for the provision of licensing, support and consulting services.

On the other hand, at 31st December 2019, the sum of 489,585 Euros was recognised, corresponding to a fixed term bank deposit made on 1st March 2018 in the amount of 550,000 US Dollars to pledge 500,000 US Dollars for a variable interest rate loan under agreement with the European Investment Fund for a limit of 1,000,000 Euros (see note 9.3.a). This fixed term bank deposit has a 3-year maturity, with an interest rate of 0.05%, which is why at 30th June 2020 it was reclassified under the heading "Other current financial assets" for a sum of 491,159 Euros.

In addition, under the heading "Other current financial assets" the Company included at 30th June 2020 a current deposit renewable on an annual basis for a sum of 5,004 Euros (same amount at 31st December 2019).

Impairment of trade receivables

Below is a breakdown of all movements recorded in the Impairments provision heading:

	Euros	
	30.06.20	**31.12.19**
Opening balance	**749,097**	**61,445**
Provision for impairments in value of receivables	173,269	687,652

Reversal of unallocated amounts	---	-
Closing balance	**922,365**	**749,097**

The Company's management considers that the credit risk is sufficiently guaranteed due to the solvency of debtors they work with (mainly financial entities). However, in January of financial year 2020, legal action has been brought to recover a credit with a national customer for a total amount, including VAT, of 750,200 Euros.

In accordance with art. 80 VAT Act, the Company has requested to recover VAT in the settlement of January 2020, in the amount of 130,200 Euros. Mainly due to this reason, during financial year 2019, there were losses due to bad debt amounting to 687,652 Euros. On 24th April 2020, the Company received a notification from the Spanish Tax Authority to review the request for refund of value added tax submitted in connection with the period 01/2020. Following the inspection, the Tax Authority considered that the requirements by virtue of art. 80 VAT Act to modify the taxable base were not met. Consequently, the taxable base was reduced by a sum of 130,200 Euros, and the assessment was signed in disagreement between the parties on 12th June 2020.

The Company's management, together with its legal advisors, considers that even though the Tax Authority does not currently accept the modification to the taxable base, they do meet other requirements for its reduction. For this reason, the corresponding appeals and claims are being prepared against the tax assessment, which will be filed before the contentious-administrative courts. Nevertheless, for the sake of prudence, the management decided to reclassify the credit to the debtor account and then allocate the corresponding provision for impairment.

7.4. Cash and cash equivalents

Following is a breakdown of the Cash and other cash equivalents heading as at 31st December 2019 and 2018:

	Euros	
	30.06.20	**31.12.19**
Cash in Euros	37	37
Cash in foreign currency	4,976	4,346
Bank, credit facilities, sight current accounts in Euros	533,345	267,039
Bank, credit facilities, sight current accounts in foreign currency (note 13.f)	1,009,150	115,259
Total	**1,547,509**	**386,682**

The cash section under the heading Banks and financial institutions included a sum of 419,845 Euros (233,486 at 31st December 2019) corresponding to financial deposits in the corresponding entities for trading and settling Euronext and MAB securities. These funds are not freely available to the Company, except if the liquidity provider considers that the cash or shares at its disposal is excessive.

8. Equity

8.1 Shareholders' equity

A breakdown of Company's shareholders' equity during financial year ending 30th June 2020 and 31st December 2019 is provided in the attached statement of changes in equity.

a) Capital

On 20th December 2019, the Annual General Shareholder's meeting approved to increase the Company's share capital by means of the offset of principal and interests of the loan granted by Nice & Green, S.A., according to the loan agreement executed between the parties on 16th September 2019 (note 9.f), and whose amount at the time of this increase reflects a balance of 500,292 Euros. The new shares were issued at an issue rate (nominal value plus share premium) of 1,713 Euros per share, corresponding 0.04 Euros to the

nominal value and 1.673 to the share premium. Therefore, it was agreed to increase the Comany's share capital by a net amount of 11,682 Euros, by means of the creation of 292,056 new shares and a share premium of 488,609 Euros.
Said increase was notarised on 31st January 2020 in the deed granted before Notary Public Mr. Ignacio Javier Torres López, from the association of notaries of Castilla-La Mancha, with protocol number 77, and recorded with the Commercial Registry of Alicante on 24th February 2020.

For this reason, at 31st December 2019, the Company's share capital amounted to 542,766 Euros represented by 13,569,139 shares with a nominal value of 0.04 Euros each. These shares, numbered from 1 to 13,569,139, were fully subscribed and paid up and had identical voting and financial rights.

Issue of equity warrants and ongoing capital increases

1. *MARCH 2020 ISSUE*

As part of the framework agreement entered into with the above mentioned company Nice & Green, S.A. (note 9.f), on 6th March 2020 the Company's Board of Directors, under the delegation agreed in the General Meeting dated 20th December 2019, agreed to make a first issue of warrants convertible into shares for a conversion amount of 1,050,000 Euros. This agreement provides for the increase with the possibility of incomplete subscription, upon confirmation from the investor of the exercise of the conversion option of Equity Warrants into Company's shares.

On 20th March 2020, Nice & Green applied for the conversion of 252,780 equity warrants, which entitled them to subscribe 252,780 new shares at a nominal value of 0.04. The strike price of equity warrants was 2.7692 Euros corresponding to 92% of the lowest "VWAP" of the latest six market days, representing an effective amount of 699,998 Euros. Consequently, the new shares had an issue rate per share of 2.7292 Euros of share premium and 0.04 of nominal, increasing the share premium and the nominal capital in 689,887 Euros and 10,111 Euros, respectively. On 1st April 2020, the conversion into shares by increasing the share capital was converted into a public deed in accordance with the deed executed by Mr. Ignacio Javier Torres López, notary public from the Association of Notaries of Castilla-La Mancha, under number 316 of his protocol.

Likewise, on 7th April 2020, Nice & Green applied for the conversion of 106,886 equity warrants, which entitled them to subscribe the same number of new shares at a nominal value of 0.04. The strike price of equity warrants was 3.2745 Euros, representing an effective amount of 349,998 Euros. Consequently, the new shares had an issue rate per share of 3.2345 Euros of share premium and 0.04 of nominal, increasing the share premium and the nominal capital in 345,723 Euros and 4,275 Euros, respectively. On 30th April 2020, the conversion into shares by increasing the share capital was converted into a public deed in accordance with the deed executed by Mr. Ignacio Javier Torres López, notary public from the Association of Notaries of Castilla-La Mancha, under number 336 of his protocol.

Having thus executed the conversion of all the warrants issued, at 30th June 2020 the Company's share capital amounted to 557,152.20 Euros represented by 13,928,805 shares with a nominal value of 0.04 Euros each, fully subscribed and paid up, numbered consecutively from 1 and with identical voting and financial rights.

2. *JUNE 2020 ISSUE*

In the meeting dated 29th May 2020, the Company's Board of Directors agreed to make a second issue of warrants convertible into shares for a conversion amount of 1,050,000 Euros, under the same conditions as the first issue in March 2020. This agreement, which was notarised on 12th June 2020, provides for the capital increase with the possibility of incomplete subscription, upon confirmation from the investor of the exercise of the conversion option of Equity Warrants into Company's shares.

On that same date, Nice & Green formally communicated its exercise of the conversion right into shares and paid the sum of 350,000 Euros for the conversion of 78,649 Equity

Warrants into the same number of new shares having a nominal value of 0.04 Euros. Due to the fact that the exchange price was closed and was irrevocable when the conversion right was notified, and according to the financial reporting framework regarding its own equity instruments, the Company recorded the 350,000 Euros under the heading "Other equity instruments" of the attached balance sheet.

After closing the six-month period ending 30th June, on 15th July and 16th July Nice & Green confirmed by a notification its conversion right of 152,744 Equity Warrants into new shares having a nominal value of 0.04 Euros, for a total amount of 750,000 Euros. The Administrators considered it was not necessary to record the embedded derivative that would be found at 30th June 2020 due to the difference between the undertaken capital increase and the fair value at that date of the own equity instruments to be delivered, as its effect on the attached financial statements would not be significant.

Finally, on 27th July 2020, the conversion and corresponding capital increase was converted into a public deed by the issue of 231,933 new shares having a nominal value of 0.04 Euros each, and in accordance with the deed executed by Mr. Ignacio Javier Torres López, notary public from the Association of Notaries of Castilla-La Mancha, under number 601 of his protocol. The conversion strike price of the first 78,649 equity warrants was 4.4501 Euros, and 4.5828 for the remaining 152,744, representing an effective amount of 1,049,991 Euros, of which 1,040,735 Euros corresponded to the share premium and 9,256 Euros to the share capital.

Having thus executed the conversion of all the warrants issued, at the date of preparation of these interim financial statements, the Company's share capital amounted to 566,429.52 Euros represented by 14,160,938 shares with a nominal value of 0.04 Euros each, fully subscribed and paid up, numbered consecutively from 1 and having identical voting and financial rights.

Below is a list of the shareholders, who are also members to the Board of Directors, holding approximately 10% of the Company's share capital either directly or indirectly:

	%	
	30.06.20	**31.12.19**
Salvador Martí Varó	9.46	10.30
Javier Mira Miró	8.10	8.60
Juan Alfonso Ortiz Company	9.04	10.13

There are no transfer restrictions on shares.

b) Share premium

	Euros	
	30.06.2020	**31.12.2019**
Share premium	3,848,212	2,812,602
	3,848,212	**2,812,602**

This is a freely available reserve.

c) Own shares

At 30th June 2020, the Company held total treasury shares amounting to 292,428 Euros (240,354 Euros at 31st December 2019) corresponding to 57,258 shares (125,998 shares at the end of the previous financial year) representing 0.41% (0.95% in 2019) of the Company's share capital and, therefore, below the limit established by article 509 of the Corporations Act which sets out a 10% maximum limit.

After closure of the financial year, on 27th February 2020, the General Shareholders' Meeting agreed to authorize the Administration Body the purchase of treasury shares in the following terms:

- For a maximum period of 5 years since the adoption of the agreement.
- For a maximum of shares amounting to the 10% of the share capital.

With a minimum and maximum countervalue of +/- 10% of market value at the acquisition date, in the case of acquisition for value. Currently, the Company has acquired a total of 57,258 shares (125,998 shares at 31st December 2019).

Below is a breakdown of all movements recorded in this heading during 2020:

	2019	Purchases	Sales	Retirements	2020
Treasury shares cost	240,354	1,507,147	(355,251)	(1,099,822)	292,428

The amount of 1,099,822 Euros identified as retirements in treasury shares corresponds to the block of shares delivered to pay the debt, for an amount of 840,001 Euros, arising from the purchase of Ecertic Digital Solutions, S.L.'s shares (see note 6).

During financial year 2020, the Company has sold treasury shares for a net profit amounting to 193,273 Euros (145,219 Euros at 31st December 2019) that were posted to the "Voluntary Reserves" heading.

d) Reserves and profit/ loss in previous financial years

<u>Reserves</u>

	Euros	
	30.06.20	**31.12.19**
Legal reserve	---	-
Voluntary reserve	803,467	610,194
Losses in previous financial years	(798,042)	(798,042)
Carryover	1,288,436	---
	1,293,861	**(187,848)**

<u>Legal reserve</u>

No allocations were made by the Company to its legal reserve pursuant to Article 274 of the Spanish Corporations Act due to outstanding losses pending to be settled from previous financial years.

This reserve is not available for distribution and should it be used to offset losses in the event that no other reserves were available, it must be replenished with future profits.

<u>Voluntary reserves</u>

At 30th June 2020 and 31st December 2019, voluntary reserves include the benefits from previous financial years that were not distributed or allocated to statutory reserves.

These are freely available reserves.

As stated in the attached Statement of Changes in Equity, during 2020 and previous financial years, the Company has used this heading to record expenses incurred following the increases in share capital undertaken in previous financial years as well as the returns obtained from the treasury share transactions (see note 8.c.).

e) Allocation of profits and profit/loss for the financial year

Given that these are interim financial statements at 30th June 2020, there is no proposed allocation of profits to be submitted before the General Shareholders' Meeting.

Below is the proposed allocation of profits for the financial year ending 31st December 2019 approved by the Annual General Shareholders' Meeting on 24th July 2020:

Allocation basis	2019
Financial year profits net of Corp. Tax	1,288,436
Allocation	
Offset to losses in previous financial years	798,042
Legal reserve	108,553
Voluntary reserves	381,841

Dividend allocation restrictions

The Company is required to allocate 10% of its financial year's profit towards a legal reserve until it reaches at least 20% of its share capital. While this reserve remains below 20% of the share capital, it may not be distributed to shareholders.

After the reserves stipulated by law or in the Company's Articles of Association have been covered, dividends may only be distributed with a charge to profit/ loss for the year, or to unrestricted reserves:

- if the equity value is not, nor will be as a result of the distribution, lower than the share capital. To this end, the profits attributed directly to equity may not be subject to either direct or indirect distribution. If there were losses from previous years which bring the value of the Company's equity to below the share capital figure, profits shall be used to offset those losses.
- If the Company's assets include intangible assets arising from the capitalisation of R&D expenses and/or goodwill. In such case, dividends may only be distributed if the amount of reserves that are available is, at least, the same as the net amount of non-depreciated intangible assets.

The Company has not distributed dividends since the date of incorporation.

8.2. Grants

Below is a breakdown of the amounts and descriptions of grants included in the balance sheet at 30th June 2020 and 31st December 2019 under the "Grants, donations and legacies" heading, including any movements taking place in the current period and previous financial year:

Period ending 30th June 2020

Body	Public Authority	Year	Amount Granted	Balance pending to be repaid at 31.12.19	Additions (Removals)	Transferred to 2020 profit/ loss	Tax effects	Balance pending to be repaid at 30.06.20
Europe (H2020)	European	2016	1,692,600	166,592	---	(33,532)	8,383	141,443
			1,692,600	**166,592**	**---**	**(33,532)**	**8,383**	**141,443**

Financial year ending 31st December 2019

Body	Public Authority	Year	Amount Granted	Balance pending to be repaid at 31.12.18	Additions (Removals)	Transferred to 2019 profit/ loss	Tax effects	Balance pending to be repaid at 31.12.19
Europe (H2020)	European	2016	1,692,600	216,890	---	(67,063)	16,766	166,592
			1,692,600	**216,890**	**---**	**(67,063)**	**16,766**	**166,592**

H2020 is Europe's flagship funding scheme for research and innovation projects. Between 2014 and 2020, it had a total budget of approximately 80,000 million Euros. The SME instruments scheme was specifically designed to promote highly innovative SME's with a great ambition for growth and international projection in order to help them achieve market success.

At the end of financial year 2016, the Company joined the European Commission scheme in order to receive funding towards their operational development expenses in the following 24 months during the implementation of the FACCES project for the use of facial recognition in banking security.

This scheme stated that the amount granted would not exceed 1,692,600 Euros, corresponding to 70% of the total costs for operational development amounting to 2,418,000 Euros.

Part of the costs incurred in relation to the eligible project correspond to R&D staff costs that were capitalised as intangible fixed assets. While on the other hand, we also have operating expenses, so the grant covers both capital and operating expenses, that according to the costs incurred by the Company in previous financial years they were divided in the proportion of 19.81% and 80.19% respectively.

9. Financial liabilities

9.1 Analysis by category

Below are the carrying amounts for each category of financial instruments as established by the registration and valuation standards rule for "Financial instruments", except balances with Public Authorities (note 10):

	Euros			
	Non-current financial liabilities			
	Debt with financial institutions		Derivatives and other	
	30.06.20	31.12.19	30.06.20	31.12.19
Loans and payables (Note 9.3)	3,472,930	472,750	---	---
TOTAL	**3,472,930**	**472,750**	**---**	**---**

	Euros			
	Current financial liabilities			
	Debt with financial institutions		Derivatives and other	
	30.06.20	31.12.19	30.06.20	31.12.19
Loans and payables (Note 9.3)	1,620,781	2,598,262	1,492,887	2,602,802
TOTAL	**1,620,781**	**2,598,262**	**1,492,887**	**2,602,802**

Since the effect of discounts is neither significant nor material, both the current and non-current payables' carrying amounts are very similar to their fair value. The carrying amount of all Company debts is denominated in Euros.

9.2 Analysis by maturity

At 30th June 2020, the carrying amounts of financial instruments on the liabilities side with fixed or determinable maturities classified by year of maturity were as follows:

Financial liabilities

	30/6/21	30/6/22	30/6/23	30/6/24	Subsequent years	Total
Financial institutions payables	1,620,781	966,695	911,559	885,053	709,623	5,093,711
Other financial liabilities (*)	1,492,887	---	---	---	---	1,492,887
	3,113,668	**966,695**	**911,559**	**885,053**	**709,623**	**6,586,598**

(*) Does not include balances with Public Authorities.

At 31st December 2019:

	Financial liabilities					
	2020	2021	2022	2023	Subsequen t years	Total
Financial institutions payables	2,598,262	362,385	110,365	---	---	3,071,012
Other financial liabilities (*)	2,602,802	---	---	---	---	2,602,501
	5,201,064	**362,385**	**110,365**	**---**	**---**	**5,673,513**

(*) Does not include balances with Public Authorities.

9.3. Debts and other payables

	30.06.20	31.12.19
Non-current debt:	**3,472,930**	**472,750**
Financial institutions payables	3,472,930	472,750
Current debt:	**1,619,011**	**2,604,038**
Financial institutions payables	1,620,781	2,598,262
Other financial liabilities	(1,770)	5,776
Trade and other payables	**1,610,215**	**2,743,736**
Current suppliers	89,119	---
Group company suppliers (note 13)	36,300	---
Other payables	1,222,289	2,505,495
Staff (outstanding salaries)	146,950	91,531
Other Public Authorities' payables (Note 10.1)	115,558	146,710
Debts and other payables	**6,702,156**	**5,820,523**

a) Loans with financial institutions

Below is a breakdown of the most significant terms and conditions for any financial loans and credit facilities in force at 30th June 2020 and 31st December 2019:

			30.06.20		31.12.19	
Type of transaction	Maturity	Limit	Current	Non-current	Current	Non-current
Loan	31.05.20	200,000	---	---	30,135	---
Loan (1)	30.06.20	100,000	---	---	16,326	---
Loan	30.11.20	45,000	6,569	---	14,315	---
Loan (2)	06.03.21	1,000,000	252,188	---	336,747	84,886
Loan	31.07.21	200,000	67,899	5,715	67,202	39,810
Loan	17.01.20	117,398	---	---	37,997	---
Loan (3)	20.11.22	200,000	66,667	100,000	66,667	133,333
Loan	08.01.20	96,507	---	---	96,500	---
Loan	21.03.22	500,000	167,828	129,957	164,917	214,721
Loan	24.04.25	750,000	30,360	719,640	---	---
Loan	01.06.25	72,000	13,901	58,099	---	---
Loan (4)	18.03.25	1,500,000	---	1,500,000	---	---

Loan	03.04.25	1,000,000	40,480	959,520	---	---
Credit loan	04.04.20	200,000	---	---	192,257	---
Credit loan	28.02.20	60,000	---	---	56,246	---
Credit loan	12.03.21	100,000	---	---	92,141	---
Credit loan	05.04.21	100,000	27,727	---	75,382	---
Credit loan	27.05.20	200,000	---	---	177,047	---
Credit loan	18.03.21	350,000	355	---	---	---
		Total	**673,974**	**3,472,930**	**1,423,879**	**472,750**

(1) Loans guaranteed by a member to the Board of Directors.

(2) Loan signed by an agreement with the European Investment Fund. Pledged with a fixed term bank deposit for 500,000 US Dollars (see note 7).

(3) Co-investment loan to the promoter, for the commercial implementation in the South Korean subsidiary, funding of staff expenses, lease and promotion.

(4) “Plan negocio” loan to purchase the group company ECERTIC Digital Solution.

Interest rates for debt with financial institutions is Euribor plus a market spread. At 30th June 2020, the Company had recognised the sum of 3,418 Euros in concept of interests accrued that were pending to be settled (11,180 Euros at 31st December 2019).

At 30th June 2020, the average interest rate of non-current debt with financial institutions was 3.11% (2.55% in the previous financial year).

The Company's management have considered that the Company shall be able to duly comply with all its contractual obligations arising from its current loans at the end of financial year. During the financial year there have been no contractual breaches or delays that may result in the lender's right to claim prepayment for the loans agreed.

b) Credit facilities and invoice discounting

Following is a list of credit facilities and the amounts available to the Company:

	Euros					
	Withdrawn		**Limit**		**Available**	
	30.06.20	**31.12.19**	**30.06.20**	**31.12.19**	**30.06.20**	**31.12.19**
Credit facilities	28,082	593,073	550,000	660,000	521,918	66,927
Current account overdraft	332,494	---	332,494	---	---	---
Invoice discounting	640,988	1,136,036	1,975,000	1,225,000	1,334,012	88,964
Credit cards	(26,676)	27,167	113,783	113,783	140,459	86,616
	974,888	**1,756,276**	**2,971,277**	**1,998,783**	**1,996,389**	**242,507**

c) Information regarding average suppliers' payment period. Information regarding average suppliers' payment period. Third additional disposition. «Reporting obligation» established by Act 15/ 2010 of 5th July.

For the purposes established in article 6 of the Resolution issued by the Institute of Accounting and Accounts Auditing (ICAC per its Spanish acronym) on 29th January 2016 in regards to the type of information to be included in the annual report concerning the payment deferrals to suppliers in commercial transactions, and regulated by the third additional disposition. "Reporting obligation" established by Act 15/2010 of 5th July amending Act 3/2004 of 29th December on combating late payment in trade transactions:

Concept	**30.06.20**	**31.12.19**
	Days	**Days**

Average suppliers' payment period	59	105
Paid transactions ratio	50	129
Outstanding transactions ratio	91	64
	Euros	
Total payments made	3,253,416	2,379,851
Total payments outstanding	890,297	1,398,641

For these exclusive purposes, the concept of trade payables comprises all suppliers and other payables arising from the supply of goods or services that are included within the scope of the legal payment period regulation. Net purchases and external services' expenses therefore comprises all amounts recorded as such in conformity with the General Accounting Plan.

d) <u>Further information on financial liabilities</u>

On 16th September 2019, the Company signed an investment agreement with Nice & Green S.A. amounting to 4,000,000 Euros. This agreement came into fruition in a first investment tranche through a capitalisable loan for the sum of 500,000 Euros and subsequently in three other tranches with the issuance of warrants that are convertible into shares for an amount of 3.5 million Euros. The investment obligation ends in September 2020.

The loan disbursed corresponding to the first tranche accrued an interest rate of 3% and was capitalized through a capital increase by conversion of loans at an amount less than 92% of the weighted average price of the share in the 6 stock market sessions prior to the signing of the investment agreement (see note 8).

Additionally, the strike price of warrants will be established in the same way as the capitalisable loan once the corresponding disbursements have been requested by the issuer.

As a security for the agreement reached, members of the Company’s Board of Directors, respectively, had lent Nice & Green S.A. 141,470 and 150,586 shares each respectively as a security for the loan to be capitalised.

The funds raised will be used to accelerate the organic growth that the Company is experiencing in geographical areas such as Latin America, the United States and Asia, among others.

10. Public Authorities and tax status

10.1 Public Authorities' current balances

Following is a list of all Public Authorities' receivable and payable balances at 30th June 2020 and 31st December 2019:

	Euros			
	30.06.20		**31.12.19**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Deferred tax assets (note 10.4)	**57,862**		**57,862**	
Tax receivables:				
•VAT	114,718		30,202	
•Tax withholdings and prepayments.	---		---	
Amounts receivable in concept of grants:	---		---	
Other Public Authorities' receivables	**114,718**		**30,202**	
Deferred tax assets (note 10.4)		47,148		**55,531**

Social security payables		32,843		20,833
Tax payables:				
•VAT		---		---
•Income tax retentions		82,715		125,877
Other Public Authorities' payables		**115,558**		**146,710**

10.2 Financial years open to inspection and inspection actions

In accordance with current regulations, tax returns are not considered definitively settled until they are inspected by tax authorities, or until their statute of limitations has expired four years after being submitted. At 30th June 2020, the Company has all applicable main tax declarations submitted since 30th June 2016 open for inspection by the tax authorities.

The Company's management considers that they have adequately submitted all applicable tax declarations. However, in the event of an inspection, this may lead to differences in the Management's interpretation of current tax regulations regarding the tax treatment of specific transactions and, therefore, may result in additional tax liabilities. Should these tax liabilities materialise, the Management expects that these shall not significantly affect the Company's financial statements.

10.3 Reconciliation between accounting profit/ loss and current income tax expense

Given that these are interim financial statements, no expenses have been accrued for the tax forecast on the income tax expense as it has generated losses during the six-month period ending 30th June 2020. Nevertheless, an amount of 85,939 Euros (21,318 Euros at 30.06.2019) was recorded under this heading in the profit/loss account corresponding to withholding taxes by the tax authorities from third countries, whose double taxation deduction is pending to be recorded.

10.4. Deferred tax assets and liabilities

According to the principle of prudence, deferred tax assets corresponding to deductible temporary differences, unused tax losses and deductions from previous financial years and other unused tax credits are only recognised to the extent that it is probable that taxable profits will be available in the future against which those may be applied.

Below is a breakdown of the Company’s outstanding recognised tax losses that are pending to be offset in 2019:

	Euros		
	Opening balance	**Applied in financial year**	**Closing balance**
Outstanding tax losses from financial year 2014	286,053	(286,053)	---
Outstanding tax losses from financial year 2015	708,881	(708,881)	---
Outstanding tax losses from financial year 2017	67,653	(67,653)	---
Balance at 31st December 2019	**1,062,586**	**(1,062,586)**	**---**

Below is a breakdown of all outstanding deductions based on the Corporations Tax declarations submitted at 30th June 2020:

Arising from year	2019	Arisen in financial year	Applied in financial year	30.06.20
2015	3,309	---	(3,309)	---
2016	2,944	---	(2,944)	---
2017	43,016	---	(43,016)	---
2018	105,452	---	(47,590)	57,862
2019(*)	---	67,504	(67,504)	---

Total	**154,721**	**67,504**	**(164,363)**	**57,862**

Below is the breakdown of the deferred tax heading:

	Euros	
	30.06.20	**31.12.19**
Deferred tax assets:		
- Tax credits arising from tax losses to be offset	---	---
- Tax credits arising from deductions	57,862	57,862
Deferred tax liabilities:		
- Temporary differences	(47,148)	(55,531)
Net deferred tax balance	**10,714**	**2,331**

Below is the breakdown of the deferred tax gross amounts:

	Euros	
	30.06.20	
	Deferred tax assets	**Deferred tax liabilities**
At 31st December 2019	**57,862**	**(55,531)**
Changed/(added) to equity	**---**	**---**
Changed/(added) to profit/loss	---	8,383
At 30th June 2020	**57,862**	**(47,148)**
	31.12.19	
	Deferred tax assets	**Deferred tax liabilities**
At 31st December 2018	**420,368**	**(72,297)**
Changed/(added) to equity	-	
Changed/(added) to profit/loss	(362,505)	16,766
At 31st December 2019	**57,862**	**(55,531)**

11. Income and expenses

a) Net Revenue

Following is a breakdown of the Company's net revenue from its regular business by geographical area:

	%	
Markets	**30.06.20**	**30.06.19**
Spain	22	19
Other countries	78	81
	100	**100**

Following is a breakdown of the Company's net revenue from its regular business by line of services:

	%	
Line	**30.06.20**	**30.06.19**
Services provided	100	100

	100	**100**

At 30th June 2020 and 31st December 2019, the Company had recorded the amount of 815,864 Euros (224,095 Euros at 30.06.2019), corresponding to the estimated income from support and maintenance services to be accrued in the following financial year, under the "Short term accruals" heading in the liabilities side of the attached balance sheet.

b) Work undertaken by the Company on its own assets.

		Euros
	30.06.20	**30.06.19**
Work undertaken by the Company on its own assets	443,053	299,734
	443,053	**299,734**

The Company has kept developing the SDK FacePhi product which has resulted in the capitalisation of certain intangible fixed assets in the amounts shown in the table above. See note 4.

c) Operating subsidies incorporated to profit/loss

At 30th June 2020, in accordance with the criteria described in note 3.8, the Company's Management posted to the profit/loss account the sum of 33,532 Euros (same amount during the same period of time in the previous financial year), corresponding to the H2020 scheme grant as a capital subsidy transfer.

d) Staff expenses

		Euros
	30.06.2020	**30.06.2019**
Salaries, remunerations and similar expenses	(1,322,242)	(799,183)
Social security payable by the Company	(139,523)	(90,199)
Other social contributions	---	---
	(1,461,765)	**(889,382)**

Following is a table showing the average amount of staff classified by categories:

	30.06.20	**31.12.19**
Senior Executives	2	2
Technical, scientific and intellectual professionals and/ or support staff	20	15
Administration	7	6
Sales and similar	4	3
Total average staff	**33**	**26**

Likewise, following is a table showing the average amount of staff employed by the Company classified by gender:

	30.06.20			**31.12.19**		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**
Board Members	2	-	2	2	-	2
Technical, scientific and intellectual professionals and/ or support staff	15	5	20	13	2	15
Administration	2	5	7	1	5	6
Sales and similar	3	1	4	3	-	3
Total staff at the end of financial year	**22**	**11**	**33**	**19**	**7**	**26**

At 30th June 2020, the Company has employed two members of staff with a degree of disability equal or greater than 33% (2 at 31st December 2019).

e) Other operating expenses

Following is a breakdown of Other operating expenses by year:

	Euros	
	30.06.20	30.06.19
External services:		
R&D expenses	---	(155)
Leases and licensing fees	(50,650)	(35,365)
Repairs and maintenance	(4,064)	(2,853)
External consulting services	(715,369)	(413,745)
Insurance premiums	(12,974)	(11,123)
Bank charges and similar	(75,512)	(30,777)
Publicity, advertising and public relations	(78,666)	(73,373)
Supplies	(12,182)	(12,715)
Other services	(254,715)	(230,507)
Taxes:		
Other taxes	(3,000)	---
Loss, impairment and variations in provisions for commercial operations	(43,069)	---
Other operating expenses	**(1,250,201)**	**(810,613)**

Under the heading "External consulting services" were included expenses paid for consultant services during the financial year, as well as in relation to the Alternative Investment Market (MAB).

f) Foreign currency: Exchange differences

There were assets expressed in foreign currencies amounting to 6,325,839 Euros (8,314,215 Euros at 31st December 2019). Below is a breakdown of the most significant elements:

		Euros	
Element	**Currency**	**30.06.20**	**31.12.19**
Trade receivables (foreign currencies)	USD	4,820,553	7,705,025
Cash (current account in foreign currency)	USD	1,009,150	115,259
Cash (in foreign currency)	USD	4,976	4,346
Fixed term deposits (in foreign currency)	USD	491,159	489,585
	Total	**6,325,839**	**8,314,215**

Below is a breakdown of the total liabilities expressed in foreign currencies:

		Euros	
Element	**Currency**	**30.06.20**	**31.12.19**
Suppliers (in foreign currency)	USD	807,766	2,213,366
Advance payments (in foreign currency)	USD	---	133,523
	Total	**807,766**	**2,346,889**

Below is a breakdown of the sums corresponding to transactions involving foreign currencies:

	Euros	
	30.06.20	**30.06.19**
Services received (USD)	(837,359)	(240,798)
Services provided (USD)	2,017,471	866,008
	1,180,112	**625,210**

Below are the sums corresponding to exchange differences recognised in profit/loss account with a separate section for those arising from transactions settled during the period and those that remained outstanding at 30th June 2020 and 31st December 2019:

		Exchange differences	
Financial instrument	**Currency**	**30.06.20**	**30.06.19**
Negative cash differences	USD	63,954	34,373
Positive cash differences	USD	(14,532)	(10,210)
Negative customer payments differences	USD	1,075	1,159
Positive customer payments differences	USD	(10,804)	(4,955)
Negative supplier payments differences	USD	350	2,148
Positive supplier payments differences	USD	---	(8,146)
Total for transactions settled during financial year		**40,042**	**14,369**

		Exchange differences	
Financial instrument	**Currency**	**30.06.20**	**30.06.19**
Negative customer balances differences	USD	---	1,434
Positive customer balances differences	USD	(55,956)	(8,179)
Negative supplier balances differences	USD	6,684	15,736
Positive payable balances differences	USD	---	(1,226)
Positive financial assets differences	USD	(1,574)	(4,256)
Total outstanding transactions		**(50,846**	**3,509**
Total exchange differences applied to financial year		**(10,804)**	**17,877**

12. Board of Directors' members and Senior Management remunerations

In conformity with the Appointments and Remunerations Committee's proposal dated 18th December 2019, subsequently approved by the Annual General Shareholder's meeting held on 24th July 2020, the remunerations for the Governing Body and the Board of Directors for financial year 2020 are the following:

- Senior management salary remunerations: an overall amount of 840,000 Euros, in addition to a 5% sum equal to the gross amount to be paid in the event of exceeding one million Euros in turnover.
- Moreover, given the seasonal variation of the Company's turnover, it was deemed convenient to approve an additional 125,000 Euros bonus to be equally shared between the two managers, provided that the milestone of increasing the turnover by 50% at 30th June 2020 as compared to the same period in the previous financial year is reached.
- On the other hand, due to the uncertainty caused by the Covid-19 epidemic, an extraordinary bonus of 100,000 Euros was unanimously approved, to be equally shared between the two managers, provided that the milestone of doubling the turnover at 30th June 2020 as compared to the same period in the previous financial year is reached.
- In concept of Board of Directors remunerations, the sum of 250,000 Euros for expenses and 50,000 Euros to compensate members to the Audits Committee and the Remunerations Committee.

In conformity with the above agreements, the remunerations accrued at 30th June 2020 were as follows:

a) Board of Directors' member remunerations and loans

Gross amounts received in financial year 2020, until 30th June, in concept of salaries and remunerations for Board of Directors' members amounted to 150,000 Euros, with 50,000 Euros corresponding to the Senior Management (197,111, with 80,000 Euros corresponding to the Senior Management in the previous financial year).

Likewise, Board of Directors' members have received further compensations corresponding to the vehicles purchased by the Company through operating lease agreements (see note 5).

b) Senior Management remunerations and loans

Total remunerations accrued until 30th June 2020 amounted to 694,992 Euros, with 420,000 Euros corresponding to salaries and remunerations, 225,000 Euros in concept of bonus and 49,992 Euros corresponding to expenses payable to the Board of Directors.

Total remunerations accrued in the previous financial year 2019 amounted to 800,000 Euros, with 720,000 Euros corresponding to salaries and remunerations and 80,000 Euros corresponding to expenses payable to the Board of Directors.

c) Conflicts of interest involving the Administrators

During the current financial year, and in conformity with their duty to avoid any conflict of interests in the Company, the Administrators who have held positions in the Board of Directors have complied with their obligations pursuant to article 228 of the consolidated text of the Corporations Act. Likewise, both themselves as well as their related parties have avoided incurring in any of the cases of conflict of interest set out in article 229 of the above Act, except by prior authorisation, none of which were granted in the current financial year.

13. Other transactions with group companies and other related parties

For the purposes of submitting and preparing these financial statements, and according to the financial reporting framework identified in note 2, another company is understood to be part of the group when both are related by a direct or indirect control relationship, analogous to the provision in article 42 of the Code of Commerce for groups of companies; or alternatively, and according to rule 13 of preparation of financial statements, when the companies are controlled by any means by one or more individuals or legal entities acting jointly or under a single management by means of agreements or articles of association.

In this regard, and as indicated in note 1, below is a list of the companies part of the group and related to the Company under these circumstances:

Group Company (Art. 42 Code of Commerce)	% participation	Address	Main activity
FacePhi Biometria, S.A.	Parent company	Alicante- Spain	Marketing of facial biometric solutions
FacePhi APAC, LTD	100%	Pangyo (South Korea)	Marketing of facial biometric solutions
Ecertic Digital Solutions, S.L.	100%	Madrid - Spain	Marketing of software
Group entity (decision-making unit)	**% control**	**Address**	**Main activity**
CF Intercity Sant Joan	100%	San Juan (Alicante)	Sport association

a) Balances and commercial transactions with Group companies

On 1st December 2019, the Company and Intercity San Joan FC entered into an advertising sponsorship agreement for a term of 3 seasons, from 1st July 2019 to 30th June 2022, at the rate of 100,000 Euros per season. At 30th June 2020, the Company had recorded the amount of 50,000 Euros corresponding to the expenses of the second semester of the 2019-2020 season (same amount at 31st December 2019 corresponding to the first semester of the 2019-2020 season) under the “Other operating expenses” heading in the profit/loss account.

At 30th June 2020, the Company granted an advance payment to Intercity San Joan FC in the amount of 150,000 Euros (65,000 Euros at 31st December 2019) that will be mainly settled by billing the second annuity of the above mentioned agreement.

On the other hand, since the purchase of Ecertic Digital Solutions, S.L., said company has billed an amount of 55,000 Euros in concept of provision of services for the sale of “onboarding”. At 30th June 2020, the Company has a payable balance with Ecertic amounting to 36,300 Euros (note 9.3).

The commercial transactions made with related parties are negotiated on the basis of the market prices.

14. Other information

a) Auditor's fees

Estimated fees to be paid during financial year 2020 to Auren Auditores SP, S.L.P. in concept of account auditing services will amount to 21,500 Euros (19,450 Euros in 2019). On the other hand, at 30th June 2020, the sum of 10,500 Euros in concept of limited review of the interim financial statements for that date had been accrued (7,750 Euros at 30th June 2019).

Moreover, at 30th June 2019 no other professional services had been provided and therefore no other fees by other companies pertaining to Auren or its network had been accrued.

15. Post balance sheet events

As reported in note 8.1.e on 24th July 2020 the Company’s Annual General Meeting was held.

Besides the information provided in note 8.1 regarding capital increases made at the date of preparation of these financial statements, there are no other significant post balance sheet events.

* * * * * *