



1923
INVESTMENTS

Company Announcement

The following is a Company Announcement issued by 1923 Investments p.l.c. ("the Company") in terms of Listing Rule 5.16.21 and 5.16.24 of the Listing Rules.

QUOTE

The company announces that the Audited Consolidated Financial Statements for the financial year ended 31 December 2018 have been approved by the Board of Directors. A copy of the signed Audited Financial Statements are attached herewith and are also available for viewing on the Company's website <https://www.1923investments.com/financial-statements/>.

It is being announced that a consolidated profit before tax of €2,625,000 was projected in the Financial Analysis Summary published in June 2018 and that the Company closed the Financial Year Ending 31 December 2018 with a consolidated loss before tax of €1,065,000. The Company had also projected a profit after tax amounting to €1,195,000 and the company closed the Financial Year Ending 31 December 2018 with a consolidated loss after tax of €1,217,000.

The variance arises mainly from lower business results than projected from the following divisions:

- The iSpot division suffered a loss before tax of €237,000 compared to a projected profit before tax of €1,697,000 as per Financial Analysis Summary Report.
- The Harvest division achieved a profit before tax of €929,000 compared to a projected profit before tax of €1,345,000 as per Financial Analysis Summary Report.
- The Logistics division achieved a profit before tax of €156,000 compared to a projected profit before tax of €1,299,000 as per Financial Analysis Summary Report.

UNQUOTE

BY ORDER OF THE BOARD

25 April 2019

A handwritten signature in blue ink, appearing to read 'Melanie Demajo', is written over a horizontal line.

Dr. Melanie Miceli Demajo
Company Secretary

1923 Investments p.l.c.

Report & Consolidated Financial
Statements

31 December 2018

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Directors' report

The directors present their report together with the audited financial statements of 1923 Investments p.l.c. and the consolidated financial statements of the group of which it is the parent, for the year ended 31 December 2018.

Principal activities

The group is engaged in the sale and distribution of Apple Products as an Apple Premium Reseller, as well as the sale, maintenance and servicing of information technology solutions, security systems and provides electronic payment solutions. As from 1 January 2018, the group is also engaged in providing road, sea and air logistics services in Malta and in Poland.

The Company acts as an investment company and service provider to its subsidiary undertakings.

Performance review

During the year under review, the Group registered an operating profit of € 1,281,785 (2017: € 2,138,459) on revenue of € 122,022,751 (2017: € 97,535,475). After accounting for finance costs, the Group registered a loss after tax of € 1,217,355 (2017: € 679,485). In 2017, the Group's results included one-time hits amounting to € 385,438 including € 253,438 loss on disposal of associate and € 132,000 write-offs and adjustments.

As from 1 January 2018, the Group's results include the operations of the Logistics business which is engaged in providing road, sea and air logistics services in Malta and in Poland. The results for 2017 do not include the activities of this business line.

The Group's net assets at the end of 2018 amounted to € 38,317,721 (2017: € 33,710,824). In 2018, the increase in Net Asset Value was mainly attributable to the increase of share capital amounting to €14,000,000 and a decrease in the retained earnings due to a dividend uplift to the ultimate parent amounting to €5,800,000 together with a negative impact in the exchange reserve amounting to €2,254,810 due to foreign exchange differences between the Polish Zloty and Euro.

In 2017, the increase in the Group's Net Asset Value was primarily attributable to the acquisition of Hili Logistics Ltd from Hili Ventures Ltd. In aggregate, intercompany balances amounting to € 27,175,276 were capitalised. The Net Asset Value also increased because of the effect of exchange difference on translation of foreign currency operations which in 2017 amounted to a favourable movement of € 2,190,639.

As disclosed in note 3 to the financial statements, the iSpot Holdings BV was merged with 1923 Investments p.l.c. on 5 September 2018. As a consequence of this merger the Company succeeded to all the assets, rights, liabilities and obligations of iSpot Holdings BV.

The Company earned revenue and investment income of € 1,080,000 and € 4,983,206 respectively (2017: revenue of € 420,000 and investment income of € 5,226,350). After accounting for finance costs and administrative expenditure, the Company registered a profit after tax of € 1,973,111 (2016: profit of € 2,999,423). The net assets of the Company at the end of 2018 amounted to € 49,832,821 (2017: € 39,635,974).

The Group measures the achievement of its objectives through the use of the following other key performance indicators.

Financial

The Group's current ratio ("current assets divided by current liabilities) currently stands at 1.13:1 (2017: 1:1). The Group uses this indicator as a measure of liquidity.

The Group measures its performance based on EBITDA. EBITDA is defined as the Group profit before depreciation, amortisation, net finance expense and taxation. During the year under review, EBITDA decreased by 12% to € 3,777,661 from € 4,276,545.

The Group's EBITDA margin dropped to 3.1% (2017: 4.4%).

The Group aims to deliver a return on average capital employed above the level of its cost of funding. The return on average capital employed represents the profit on ordinary activities before finance costs and exceptional items but including share of results of joint ventures, divided by the average of opening and closing tangible net worth. The Company ensures that this capital is used as effectively as possible. The return on average capital employed decreased from 6% to 3% during the year under review due to a drop in profitability.

The Group's gearing ratio has reduced to 48% (2017: 60%). Interest cover stands at 1.3 compared to 1.7 in 2017, a decrease as a direct result of the drop in EBITDA.

Non-financial

Customer satisfaction is constantly monitored within Ispot in Poland and Romania. The conversion rate, which measures the percentage of actual purchases compared to customers entering the store increased in 2018 and the number of clients in 2018 increased by 6.5% over 2017 and had a higher average basket spend compared to 2017. However traffic decreased by 0.4% when compared to 2017.

The results of the Harvest division are in line with the expectations of the business and the outlook going forward is cautiously optimistic. The directors note that the volumes of the e-commerce business increased by 7% in 2018 over 2017. Harvest will continue to provide 1923 Investments plc with steadily positive results which the directors are committed to strengthen and continue to improve.

In the Logistics business, we faced certain challenges during 2018 due to market changes and high competition in Malta and in Poland.

The directors have revised the strategy and in 2018 a lot of effort was made in strengthening a sales team which can bring new business. The sales team are very active and started to gain some of the lost accounts and also gained new customers. Management is already seeing improvement in the first quarter of 2019 and are continuously striving for better results.

The Freight Forwarding company in Poland has also suffered from market conditions arising in 2018 as a result of customs duties imposed on US imports of steel from EU, and similarly the break bulk business was negatively affected by additional charges imposed on exports of cargo from Non-EU to EU countries. In 2018, the new management of Allcom, together with the sales team, are more focused and are striving to gain more business. Results of the first quarter of 2019 were better than budget in terms of volume.

The Group partners with suppliers who place great focus on minimising their carbon footprint and consequentially their environmental impact. The directors believe that good internal environmental practices support the board's strategy by enhancing the reputation of the Group and the quality and efficiency of products and services offered. Consequently, the Group continues to put environmental responsibilities high on the agenda.

Principal risks and uncertainties

The Board as a whole, including the Audit Committee members, consider the nature and extent of the risk management framework and risk profile that is acceptable to the Board. The Audit Committee regularly reviews the work carried out by the Internal Auditor, and ensure any weaknesses identified are remedied so as not to pose a risk to the Group.

1923 Investments has established strategic relationships with its key suppliers. These relationships support 1923 Investments' product and service offerings, and sales activities generally. There is no guarantee that 1923 Investments will be able to maintain these alliances, enter into further alliances or that existing suppliers will not enter into relationships with 1923 Investments' competitors. The loss of any of these relationships, in particular, the agreement with Apple that authorises iSpot Poland SP z.o.o to engage in the sale and distribution of Apple products as an Apple Premium Reseller in Poland, could have a material adverse effect on 1923 Investments' business, results of operations and financial condition. Additionally, as from 1 January 2018, the Group has alliances with shipping companies which will expire in the coming years. The expiry of these alliances and agreements, if not renegotiated, may have a significant impact on the results of the logistics and transport business.

Financial risk management

Note 42 to the financial statements provides details in connection with the Group's use of financial instruments, its financial risk management objectives and policies and the financial risks to which it is exposed.

Non-Financial Statement

Environmental matters

The Group is committed to environmental responsibility, and all subsidiaries within the Group have a role to play in living up to that commitment. Efforts are put on areas where the Group can have significant impact on critical environmental issues, including climate change, natural resource conservation and waste management. The Group invests in innovations that can improve our environmental footprint, besides collaborating with other organizations to raise environmental awareness and work with key suppliers to promote environmentally responsible practices in their operations.

The Group feels that it is its duty to operate as part of the local community in order to keep the countries, where we operate, tidy. Subsidiaries within the Group are enrolled in local programmes for waste collection, separation and recycling of waste.

In terms of energy efficiency, the Group implements modern technology throughout its business divisions, with the installation of energy management systems and the use of energy efficient equipment and LED lighting.

Employee matters

The Group provides opportunity, nurtures talent, provides support to develop leaders and rewards achievement. The Group believes that a team of individuals with diverse backgrounds and experiences, working together in an environment that fosters respect and drives high levels of engagement, is essential to its continuing business success. Performance evaluation systems are employed across the Group by applying career progression mechanisms and by rewarding achievements.

Each of the Group's employees deserves to be treated with fairness, respect and dignity, providing equal opportunity for employees and applicants. All of the Group's employees have the right to work in a place that is free from harassment, intimidation or abuse, sexual or otherwise, or acts or threats of physical violence. It is committed to diversity and equal opportunities for everyone, respecting the unique attributes and perspectives of every employee, and rely on these diverse perspectives to help the Group build and

improve the relationships with customers and business partners. The Group embraces the diversity of its employees, customers and business partners, and work hard to make sure everyone within the Group feels welcome.

The Group provides equal treatment and equal employment opportunity without regard to race, colour, religion, sex, age, national origin, disability, sexual orientation, gender identity or any other basis protected by law. In addition, it is committed to providing a safe and healthful working environment for its employees, requiring all employees to abide by safety rules and practices and to take the necessary precautions to protect themselves and their fellow employees. For everyone's safety, employees must immediately report accidents and unsafe practices or conditions to their immediate supervisors.

Social Matters

The Group takes its corporate social responsibility very seriously and engages with its social partners and the community in general to give back through community involvement and the protection of the environment through the creation and realisation of advanced technology systems. The Group's history has shown a proven contribution towards society by enhancing the quality of life of its customers and the general public alike.

Respect for human rights

The Group conducts its activities in a manner that respects human rights, taking the responsibility seriously to act with due diligence to avoid infringing on the human rights of others and addressing any impact on human rights if they occur. The Group's commitment to respect human rights is defined in the code of business conduct, which applies to all employees of the Group.

The Group is committed to provide a safe work environment that fosters respect, fairness and dignity. Group employees are trained annually on the standard of business conduct.

Anti-corruption and bribery matters

The Group's employees must comply with the Group Code of Conduct and Whistle-blower Policy to ensure that all employees are discouraged from any corrupt practices or bribery as well as are incentivized to report any such activities in a direct line with the responsible Group supervisor, without fearing reprisals. Every employee is introduced to these policies upon employment and are mandatory to be adhered to it.

The Group prohibits all forms of bribery or kickbacks as detailed in the Code of Conduct. All employees, representatives and business partners must fully comply with anti-bribery legislation. To comply with the Group policy and anti-bribery laws, no employee should ever offer, directly or indirectly, any form of gift, entertainment or anything of value to any government official or his or her representatives.

The Group is committed to complying with the applicable laws in all countries where it does business. It adopts an anti-corruption policy which sets forth its commitment to ensuring that it carries out business in an ethical manner and abides by all applicable anti-bribery and anti-corruption laws in the countries in which it operates by, among other things, prohibiting the giving or receiving of improper payments in the conduct of its business, and by discouraging such behaviour by its business partners.

Business Model

The Group operates four main business activities which are the sale of retail and IT solutions in Poland predominately as an Apple Premium Reseller, the sale of payment processing services, the provision of IT solutions and security systems and the provision of road, sea and air logistics services.

The Group's Apple retail business in Poland offers an extensive range of Apple products and other software in Poland. Harvest Technology's business line in Malta is a multi-brand information technology

solutions provider to businesses and the public sector. In addition, Harvest Technology is a payments solutions provider offering e-commerce processing services for retailers and internet-based merchants together with the provision of a wide range of automation and security solutions catering to the banking, retail, fuel and other sectors.

Through its wide range of services and experience in technology, the Group is positioned to continue to develop and offer a wide range of solutions to its customers and to assure a high quality of services to its customers.

The logistics division, which was acquired by the 1923 Investments p.l.c. Group at the end of 2017 from Hili Ventures Limited, continues to provide its transport and logistics services through its long-standing experience in the sector and its continued support and excellent relationship with its business partners.

Significant judgements and estimates

Note 5 to the financial statements provides details in connection with the inherent uncertainties that surround the preparation of the financial statements which require significant estimates and judgements.

Results and dividends

The results for the year ended 31 December 2018 are shown in the statements of profit or loss and other comprehensive income on page 13. The Group's loss for the year after taxation was € 1,217,355 (2017: loss of € 679,485), whilst the Company's profit for the year after taxation was € 1,973,111 (2017 – profit of € 2,999,423). During 2018, a management fee amounting to € 660,000 was charged by the parent company (2017: € nil).

A final dividend of of €5,800,000 is being recommended.

Likely future business developments

The directors of 1923 Investments p.l.c. are of the view that there are a number of investment opportunities that will be explored and evaluated with a view to continue to grow its business portfolio in line with the Company's strategy.

Post balance sheet events

There were no adjusting or significant non-adjusting events between the end of the reporting period and the date of authorisation by the Board.

Directors

The following have served as directors of the Company during the period under review:

Mr Charles Borg - Chairman
Mr Richard Abdilla Castillo
Mr Geoffrey Camilleri
Mr Karl Fritz
Mr Stephen Kenneth Tarr
Dr Austin Gatt (appointed on 3 January 2019)
Prof. Juanito Camilleri (appointed on 3 January 2019)
Ms Margrit Lutschg-Emmenegger (resigned on 3 January 2019)
Mr John Trefor Price Roberts (resigned on 3 January 2019)

In accordance with the Company's Articles of Association, the present directors remain in office.

Going concern

The directors are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements.

Disclosure of information to the auditor

At the date of making this report the directors confirm the following:

- As far as each director is aware, there is no relevant information needed by the independent auditor in connection with preparing the audit report of which the independent auditor is unaware, and
- Each director has taken all steps that they ought to have taken as a director in order to make themselves aware of any relevant information needed by the independent auditor in connection with preparing the report and to establish that the independent auditor is aware of that information.

Statement of directors' responsibilities

The Companies Act, Cap 386 requires the directors to prepare financial statements for each financial period which give a true and fair view of their state of affairs of the Group and the Company as at the end of the reporting period and of the profit or loss of their operations for that period. In preparing those financial statements, the directors are required to:

- adopt the going concern basis unless it is inappropriate to presume that the Company will continue in business;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period on the accruals basis; and
- value separately the components of asset and liability items.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, and to enable them to ensure that the financial statements have been properly prepared in accordance with the Companies Act, Cap 386. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. They are also responsible for safeguarding the assets of the Group, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor

Grant Thornton have intimated their willingness to continue in office.

A resolution to reappoint Grant Thornton as auditor of the Company will be proposed at the forthcoming annual general meeting.

Approved by the board of directors and signed on its behalf on 25 April 2019 by:


Charles Borg
Chairman


Stephen Kenneth Tarr
Director

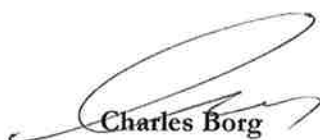
Registered address:
Nineteen Twenty-Three
Valletta Road
Marsa MRS 3000
Malta

25 April 2019

Statement of responsibility pursuant to the Listing Rules issued by the Listing Authority

We confirm that to the best of our knowledge:

- a. In accordance with the Listing Rule 5.68, the financial statements give a true and fair view of the financial position of the Company and its Group as at 31 December 2018 and of their financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU; and
- b. In accordance with the Listing Rules, the Directors' report includes a fair review of the performance of the business and the position of the Issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.



Charles Borg
Chairman



Stephen Kenneth Tarr
Director

Corporate governance statement

Introduction

Pursuant to the Listing Rules as issued by the Listing Authority of the Malta Financial Services Authority, 1923 Investments p.l.c. (the 'company') is hereby reporting on the extent of its adoption of the Code of Principles of Good Corporate Governance (the 'Principles') contained in Appendix 5.1 of the Listing Rules.

The Board acknowledges that the Code does not dictate or prescribe mandatory rules but recommends principles of good practice. Nonetheless, the Board strongly believes that the Principles are in the best interest of the shareholders and other stakeholders since they ensure that the Directors, Management and employees of the Group adhere to internationally recognised high standards of Corporate Governance.

The Group currently has a corporate decision-making and supervisory structure that is tailored to suit the Group's requirements and designed to ensure the existence of adequate checks and balances within the Group, whilst retaining an element of flexibility, particularly in view of the size of the Group and the nature of its business. The Group adheres to the Principles, except for those instances where there exist particular circumstances that warrant non-adherence thereto, or at least postponement for the time being.

Additionally, the Board recognises that, by virtue of Listing Rule 5.101, the Company is exempt from making available the information required in terms of Listing Rules 5.97.1 to 5.97.3; 5.97.6 and 5.97.8.

The Board of Directors

The Board of Directors of the Company is responsible for the overall long-term direction of the Group, in particular in being actively involved in overseeing the systems of control and financial reporting and that the Group communicates effectively with the market.

The Board of Directors meets regularly, with a minimum of four times annually, and is currently composed of seven Members, four of which are completely independent from the Company or any other related companies.

For the purpose of the listing rules, Prof Juanito Camilleri, Mr Karl Fritz, Mr Carmelo Borg and Dr Austin Gatt are independent non-executive directors of the Company. In addition to the above, Margrit Lutschg-Emmenegger and John Trefor Price Roberts served as non-executive directors until they resigned on 3 January 2019.

Executive Directors

Richard Abdilla Castillo (Chief Executive Officer)

Non-Executive Directors

Stephen Kenneth Tarr
Geoffrey Camilleri

Independent Non-Executive Directors

Charles Borg (Chairman)
Juanito Camilleri
Karl Fritz
Austin Gatt

The Board Meetings are attended by the Chief Financial Officer of the Group in order for the Board to have direct access to the financial operation of the Group. This is intended to, inter alia, ensure that the policies and strategies adopted by the Board are effectively implemented.

The remuneration of the board is reviewed periodically by the shareholders of the Company.

The Company ensures that it provides directors with relevant information to enable them to effectively contribute to board decisions.

The directors are fully aware of their duties and obligations, and whenever a conflict of interest in decision making arises, they refrain from participating in such decisions.

Audit Committee

The Terms of Reference of the Audit Committee are modelled on the principles set out in the Listing Rules. The Audit Committee assists the Board in fulfilling its supervisory and monitoring responsibility by reviewing the Group financial statements and disclosures, monitoring the system of internal control established by management as well as the audit processes.

The Board of Directors established the Audit Committee, which meets regularly, with a minimum of four times annually, and is currently composed of the following individuals:

Karl Fritz (Chairman)
Geoffrey Camilleri
Austin Gatt (appointed on 3 January 2019)
John Trefor Price Roberts (resigned on 3 January 2019)

satisfying the requirement established by the Listing Rules that the Audit Committee is composed of non-executive directors, the majority of which being independent. Geoffrey Camilleri is a non-executive director and holds the position of Chief Financial Officer of the parent company.

The Board considers Mr Karl Fritz to be competent in accounting and/or auditing in terms of the Listing Rules. Furthermore, the Board considers that the Audit Committee, as a whole, to have relevant competence in the sector the Company is operating.

The Audit Committee met six times during 2017 and three times during 2018. Communication with and between the Secretary, top level management and the Committee is ongoing and considerations that required the Committee's attention were acted upon between meetings and decided by the Members (where necessary) through electronic circulation and correspondence.

Internal Control

While the Board is ultimately responsible for the Group's internal controls as well as their effectiveness, authority to operate the Group is delegated to the Managing Director.

The Group's system of internal controls is designed to manage all the risks in the most appropriate manner. However, such controls cannot provide an absolute elimination of all business risks or losses. Therefore, the Board, inter alia, reviews the effectiveness of the Group's system of internal controls in the following manner:

1. Reviewing the Group's strategy on an on-going basis as well as setting the appropriate business objectives in order to enhance value for all stakeholders;
2. Implementing an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve Group objectives;
3. Appointing and monitoring the Managing Director whose function is to manage the operations of the Group;
4. Identifying and ensuring that significant risks are managed satisfactorily; and
5. Company policies are being observed.

Corporate Social Responsibility

The Board is mindful of and seeks to adhere to sound principles of Corporate Social Responsibility in their daily management practices, which is also extended throughout the Company's subsidiary companies. There is continuing commitment to operate the business ethically at all times, at the same time as contributing to economic development whilst improving the quality of life of its employees and their families together with the local community and society at large.

In carrying on its business, the Group is fully aware of its obligation to preserving the environment and has, in fact, put in place a number of policies aimed at respecting the environment and reducing waste.

Relations with the market

The market is kept up to date with all relevant information, and the Company regularly publishes such information on its website to ensure consistent relations with the market.

Non-compliance with the code

Principle 7: Evaluation of the board's performance

Under the present circumstances, the Board does not consider it necessary to appoint a committee to carry out a performance evaluation of its role as the Board's performance is always under scrutiny of the shareholders of the Company.

Principle 8: Committees

Under the present circumstances the Board does not consider it necessary to appoint a remuneration committee and a nomination committee as decisions on these matters are taken at shareholder level.

Principle 10: Institutional shareholders

This principle is not applicable since the Company has no institutional shareholders.

Approved by the Board of Directors and signed on its behalf on 25 April 2019 by:



Charles Borg
Chairman



Stephen Kenneth Tarr
Director

Other disclosures in terms of listing rules

Statement by the directors pursuant to Listing Rule 5.70.1

Contracts of significance

Loan agreements with subsidiaries and related parties

The Company has loans payable and receivable to/from subsidiaries and related parties, which are disclosed in the financial statements.

Rental agreements with related parties

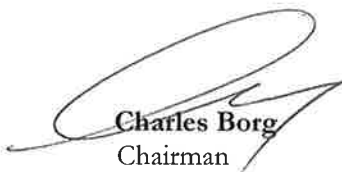
The subsidiaries of 1923 Investments p.l.c. have entered into rental agreements with a related party. The agreed rates have been set on an arms' length basis.

Pursuant to Listing Rule 5.70.2

Company secretary and registered office

Melanie Miceli Demajo
Nineteen Twenty-Three
Valletta Road
Marsa MRS 3000
Malta

Signed on behalf of the board of directors on 25 April 2019 by:



Charles Borg
Chairman



Stephen Kenneth Tarr
Director

Statements of profit or loss and other comprehensive income

	Notes	The group 2018	The group 2017	The company 2018	The company 2017 (restated)
		€	€	€	€
Revenue	7	122,022,751	97,535,475	1,080,000	420,000
Cost of sales		(108,483,977)	(89,280,698)	-	-
Gross profit		13,538,774	8,254,777	1,080,000	420,000
Other operating income	8	81,237	10,686	-	-
Administrative expenses	11	(12,338,226)	(6,127,004)	(1,285,965)	(440,219)
Operating profit		1,281,785	2,138,459	(205,965)	(20,219)
Investment income	9	202,332	508,984	4,983,206	5,226,350
Finance costs	10	(2,740,165)	(2,701,368)	(2,482,497)	(2,142,099)
Other income	38	-	218,957	-	-
Loss on disposal of associate	20	-	(253,438)	-	-
Share of profit in associates	20	121,593	-	-	-
Share of results in joint ventures	20	69,714	22,240	-	-
(Loss) profit before tax	11	(1,064,741)	(66,166)	2,294,744	3,064,032
Tax expense	14	(152,614)	(608,331)	(321,633)	(64,609)
(Loss) profit for the year from continuing operations		(1,217,355)	(674,497)	1,973,111	2,999,423
Loss from discontinued operations	45	-	(4,988)	-	-
(Loss) profit for the year		(1,217,355)	(679,485)	1,973,111	2,999,423
Other comprehensive income					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Exchange differences on translating foreign operations		(2,254,810)	2,190,639	-	-
Total comprehensive (loss)/income		(3,472,165)	1,511,154	1,973,111	2,999,423
Loss attributable to:					
Owners of the company		(1,219,543)	(680,323)	1,973,111	2,999,423
Non-controlling interest		2,188	838	-	-
		(1,217,355)	(679,485)	1,973,111	2,999,423
Total comprehensive (expense) income attributable to:					
Owners of the company		(3,474,353)	1,510,316	1,973,111	2,999,423
Non-controlling interest		2,188	838	-	-
		(3,472,165)	1,511,154	1,973,111	2,999,423

Statements of financial position

	Notes	The group 2018 €	The group 2017 €
Assets			
Non-current			
Goodwill	16	54,285,881	56,001,331
Intangible assets	17	12,099,714	12,724,382
Property, plant and equipment	18	6,629,098	7,874,394
Investment in subsidiaries	19	-	-
Investment in associates	20	107,950	133,357
Investment in joint ventures	20	800,439	1,036,122
Other investment	21	50,000	50,000
Loans and receivables	22	8,523,204	6,476,110
Deferred tax assets	35	1,545,874	1,100,910
		84,042,160	85,396,606
Current			
Inventories	23	15,840,850	12,409,219
Loans and receivables	22	1,039,552	732,378
Contract assets	7	905,058	-
Other assets	24	1,612,440	1,033,884
Trade and other receivables	25	12,627,559	14,635,920
Cash and cash equivalents	26	3,604,370	3,231,078
Current tax assets		1,121,753	1,051,271
		36,751,582	33,093,750
Total assets		120,793,742	118,490,356

Statements of financial position – continued

	Notes	The group 2018 €	The group 2017 €
Equity			
Equity attributable to owners of the parent:			
Share capital	27	49,575,000	35,575,000
Other equity	28	(4,741,736)	(4,765,472)
Retained earnings		(5,519,637)	1,656,380
Translation reserve	29	(1,040,142)	1,214,668
		38,273,485	33,680,576
Non-controlling interest		44,236	30,248
Total equity		38,317,721	33,710,824
Liabilities			
Non-current			
Debt securities in issue	30	35,515,557	35,434,649
Borrowings	31	100,000	5,755,339
Trade and other payables	32	831,208	1,076,391
Other financial liabilities	34	12,299,722	8,395,800
Deferred tax liabilities	35	1,195,804	1,009,067
		49,942,291	51,671,246
Current			
Borrowings	31	3,534,561	6,009,619
Trade and other payables	32	26,652,259	26,136,896
Contract liabilities	33	1,591,781	-
Other financial liabilities	34	350,009	405,422
Current tax liability		405,120	556,349
		32,533,730	33,108,286
Total liabilities		82,476,021	84,779,532
Total equity and liabilities		120,793,742	118,490,356

Statements of financial position – continued

	Notes	The company 2018	The company 2017 (restated)	The company 2016 (restated)
		€	€	€
Assets				
Non-current				
Plant and equipment	18	3,000	-	-
Investment in subsidiaries	19	64,910,308	64,923,823	38,148,033
Investment in joint venture	20	682,375	682,375	507,375
Loans and receivables	22	34,901,419	5,527,646	3,989,825
		100,497,102	71,133,844	42,645,233
Current				
Loans and receivables	22	3,600,000	8,389,097	5,639,125
Other assets	24	53,189	-	-
Trade and other receivables	25	409,810	301,489	996,552
Cash and cash equivalents	26	1,366,403	200,472	203,540
Current tax assets		407,375	261,503	-
		5,836,777	9,152,561	6,839,217
Total assets		106,333,879	80,286,405	49,484,450

Statements of financial position – continued

	Notes	The company 2018	The company 2017 (restated)	The company 2016 (restated)
		€	€	€
Equity				
Equity attributable to owners of the parent:				
Share capital	27	49,575,000	35,575,000	8,399,724
Other equity	28	154,629	130,893	-
Retained earnings		103,192	3,930,081	930,658
Total equity		49,832,821	39,635,974	9,330,382
Liabilities				
Non-current				
Debt securities in issue	30	35,515,557	35,434,649	35,353,742
Other financial liabilities	34	19,176,666	3,955,537	2,532,627
		54,692,223	39,390,186	37,886,369
Current				
Trade and other payables	32	717,201	635,953	478,815
Other financial liabilities	34	1,091,634	624,292	1,724,729
Current tax liabilities		-	-	64,155
		1,808,835	1,260,245	2,267,699
Total liabilities		56,501,058	40,650,431	40,154,068
Total equity and liabilities		106,333,879	80,286,405	49,484,450

The financial statements on pages 13 to 85 were approved by the board of directors, authorised for issue on 25 April 2019 and signed on its behalf by:


Charles Borg
Chairman


Stephen Kenneth Tarr
Director

Statement of changes in equity – the group

	Share Capital €	Other equity €	Retained earnings €	Translation reserve €	Attributable to equity holders of the parent €	Non- controlling interests €	Total Equity €
At 1 January 2017	8,399,724	(3,121,365)	448,036	(975,971)	4,750,424	600	4,751,024
Transactions with owners:							
Capitalisation of loans	27,175,276	-	-	-	27,175,276	-	27,175,276
Value of services provided by officer of the group (note 12)	-	130,893	-	-	130,893	-	130,893
	27,175,276	130,893	-	-	27,306,169	-	27,306,169
(Loss)/profit for the year	-	-	(680,323)	-	(680,323)	838	(679,485)
Other comprehensive income for the year	-	-	-	2,190,639	2,190,639	-	2,190,639
Total comprehensive income	-	-	(680,323)	2,190,639	1,510,316	838	1,511,154
Disposal of associate	-	300,000	(183,487)	-	116,513	(600)	115,913
Disposal of subsidiary	-	-	(2,846)	-	(2,846)	-	(2,846)
Disposal of shares in subsidiary (note 12)	-	-	-	-	-	29,410	29,410
Other movements in equity (note 28)	-	(2,075,000)	2,075,000	-	-	-	-
	-	(1,775,000)	1,888,667	-	113,667	28,810	142,477
At 31 December 2017	35,575,000	(4,765,472)	1,656,380	1,214,668	33,680,576	30,248	33,710,824

Statement of changes in equity – the group – continued

	Share capital	Other equity	Retained earnings (accumulated losses)	Translation reserve	Attributable to equity holders of the parent	Non-controlling interests	Total equity
	€	€	€		€	€	€
At 1 January 2018	35,575,000	(4,765,472)	1,656,380	1,214,668	33,680,576	30,248	33,710,824
Adjustment from the adoption of IFRS 15	-	-	(61,869)	-	(61,869)	-	(61,869)
Adjusted balance at 1 January 2018	35,575,000	(4,765,472)	1,594,511	1,214,668	33,618,707	30,248	33,648,955
Transactions with owners:							
Increase in share capital	14,000,000	-	-	-	14,000,000	-	14,000,000
Dividend paid to shareholder	-	-	(5,800,000)	-	(5,800,000)	-	(5,800,000)
Dividend paid to minority interest	-	-	-	-	-	(2,905)	(2,905)
Value of services provided by officer of the group (note 12)	-	23,736	-	-	23,736	-	23,736
	14,000,000	23,736	(5,800,000)	-	8,223,736	(2,905)	8,220,831
(Loss)/profit for the year	-	-	(1,219,543)	-	(1,219,543)	2,188	(1,217,355)
Other comprehensive income for the year	-	-	-	(2,254,810)	(2,254,810)	-	(2,254,810)
Total comprehensive income	-	-	(1,219,543)	(2,254,810)	(3,474,353)	2,188	(3,472,165)
Minority interest on purchase of subsidiary	-	-	-	-	-	(94,605)	(94,605)
Full acquisition of subsidiary	-	-	(94,605)	-	(94,605)	94,605	-
Disposal of shares in subsidiary (note 12)	-	-	-	-	-	14,705	14,705
	-	-	(94,605)	-	(94,605)	14,705	(79,900)
At 31 December 2018	49,575,000	(4,741,736)	(5,519,637)	(1,040,142)	38,273,485	44,236	38,317,721

Accumulated losses include current and prior period results as disclosed in the statement of comprehensive income.

Statement of changes in equity – the company

	Share capital €	Other equity €	Retained earnings €	Total €
At 1 January 2016	8,399,724	-	(1,648,363)	6,751,361
Profit for the year	-	-	2,579,021	2,579,021
Total comprehensive income	-	-	2,579,021	2,579,021
At 31 December 2016	8,399,724	-	930,658	9,330,382
At 1 January 2017	8,399,724	-	930,658	9,330,382
Capitalisation of loans	27,175,276	-	-	27,175,276
Value of services provided by officer of the group (note 12)	-	130,893	-	130,893
Transactions with owners	27,175,276	130,893	-	27,306,169
Profit for the year	-	-	2,999,423	2,999,423
Total comprehensive income	-	-	2,999,423	2,999,423
At 31 December 2017	35,575,000	130,893	3,930,081	39,635,974

Statement of changes in equity – the company

	Share capital	Other equity	Retained earnings	Total
	€	€	€	€
At 1 January 2018	35,575,000	130,893	3,930,081	39,635,974
Capitalisation of loans	-	-	-	-
Increase in share capital	14,000,000	-	-	14,000,000
Value of services provided by officer of the group (note 12)	-	23,736	-	23,736
Transactions with owners	14,000,000	23,736	-	14,023,736
Profit for the year	-	-	1,973,111	1,973,111
Dividend paid to shareholder	-	-	(5,800,000)	(5,800,000)
Total comprehensive income	-	-	(3,826,889)	(3,826,889)
At 31 December 2018	49,575,000	154,629	103,192	49,832,821

Retained earnings include current and prior period results as disclosed in the statement of comprehensive income.

Statements of cash flows

	Notes	The group 2018	The group 2017	The company 2018 (restated)	The company 2017 (restated)
		€	€	€	€
Operating activities					
Profit (loss) before tax		(1,064,741)	(66,166)	2,294,744	3,064,032
Adjustments	36	5,362,577	5,228,671	(2,499,709)	(3,084,251)
Net changes in working capital	36	(2,915,529)	(1,998,985)	(82,238)	853,864
Interest received		-	-	-	-
Interest paid		(2,659,258)	(2,620,461)	(1,867,509)	(1,860,069)
Tax paid		(1,052,928)	(974,458)	(65,223)	(64,155)
Tax refunded		420,376	69,388	-	-
Net cash used in continuing operations		(1,909,503)	(362,011)	(2,219,935)	(1,090,579)
Net cash used in discontinued operations		-	(4,988)	-	-
Net cash used in operating activities		(1,909,503)	(366,999)	(2,219,935)	(1,090,579)
Investing activities					
Payments to acquire PPE		(1,189,170)	(2,182,716)	(4,000)	-
Payments to acquire intangible assets		(473,869)	(553,501)	-	-
Proceeds from sale of PPE		329,358	134,667	-	-
Interest received		17,718	87,399	17,718	-
Cash and cash equivalents taken over upon acquisition of subsidiaries	38	-	747,035	-	-
Amounts advanced to subsidiaries	31	-	-	(9,600,000)	-
Payments to parent company		-	-	(33,897)	(201,103)
Payments from subsidiary companies		-	-	1,002,140	2,301,245
Payments (to) from related companies		(414,940)	2,259,289	3,905	392,569
Payments to acquire subsidiary		-	-	-	(1,230,200)
Payment for increase in share capital of JV		-	-	-	(175,000)
Payments to acquire other investments		-	(50,000)	-	-
Dividends received from associates		147,000	211,946	-	-
Net cash (used in) generated from investing activities		(1,583,903)	654,119	(8,614,134)	1,087,511

Statements of cash flows – continued

	Notes	The group 2018	The group 2017	The company 2018 (restated)	The company 2017 (restated)
		€	€	€	€
Financing activities					
Increase in share capital		14,000,000	-	14,000,000	-
Dividends paid		(2,002,905)	-	(2,000,000)	-
Proceeds from bank loan		300,000	-	-	-
Repayments of bank loans		(10,642,763)	(1,336,036)	-	-
Amount received from a third party		-	6,000,000	-	-
Amount advanced to ultimate parent company		-	(6,000,000)	-	-
Net cash (used in) generated from financing activities		1,654,332	(1,336,036)	12,000,000	-
Net change in cash and cash equivalents		(1,839,074)	(1,048,916)	1,165,931	(3,068)
Cash and cash equivalents, beginning of year		2,108,883	3,157,799	200,472	203,540
Cash and cash equivalents, end of year	26	269,809	2,108,883	1,366,403	200,472

Notes to the financial statements

1 Nature of operations

The principal activities of the group are the sale and distribution of Apple Products as an Apple Premium Reseller, as well as the sale, maintenance and servicing of information technology solutions, security systems and provides electronic payment solutions. As from 1 January 2018, the group was also engaged in providing road, sea and air logistics services in Malta and in Poland. The company acts as an investment company and service provider to its subsidiary undertakings.

2 General information, statement of compliance with IFRS and going concern assumption

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

The company is a public company whose bonds are publicly listed and traded on the Malta Stock Exchange.

The financial statements of the company and the consolidated financial statements of the group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union (EU), and in accordance with the Companies Act, Cap 386.

In 2018, the group has adopted new guidance for the recognition of revenue from contracts with customers (see Note 4.1 below). This guidance was applied using a modified retrospective ('cumulative catch-up') approach under which changes having a material effect on the consolidated statement of financial position as at 1 January 2018 are presented together as a single adjustment to the opening balance of retained earnings. Accordingly, the group is not required to present a third statement of financial position as at that date.

Further, the group has adopted new guidance for accounting for financial instruments (see Note 4.1 below). This guidance was applied using the transitional relief allowing the entity not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to classification, measurement, and impairment are recognised in retained earnings.

The financial statements are presented in euro (€), which is also the functional currency of the company and the group.

3 Merger

During 2018, it was decided that iSpot Holdings BV be amalgamated into 1923 Investments p.l.c. The merger became effective on 5 September 2018. At that date, 1923 Investments p.l.c. held all of the entire share capital of iSpot Holdings BV whereby the company acquired all of the assets, rights, liabilities and obligations of the latter. The simplified formalities in terms of Regulation 19(1) of the Cross-Border Mergers of Limited Liability Companies Regulations, S.L. 386.12 were applicable to this cross-border merger.

Assets and liabilities contributed by each enterprise as at 5 September 2018, the effective date of the merger, were as follows:

	1923 Investments p.l.c. €	iSpot Holdings BV €
Total assets	87,747,690	41,085,177
Total liabilities	(38,050,042)	(5,961,215)
	<u>49,697,648</u>	<u>35,123,962</u>

Since at the time of combination iSpot Holdings BV and 1923 Investments p.l.c. were entities under common control, the provisions under IFRS 3 *Business Combinations* did not apply. In this case the pooling of interest method was used to account for the combination. Under this method the financial statement items of the combining entities for the period in which the combination occurred and for the comparative periods disclosed have been included in the financial statements of 1923 Investments p.l.c. as if they had been combined from the beginning of the earliest period presented. The share capital of iSpot Holdings BV was eliminated with the investment by 1923 Investments p.l.c. in iSpot Holdings BV.

4 New or revised Standards or Interpretations

4.1 New standards adopted as at 1 January 2018

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 'Revenue from Contracts with Customers' and the related 'Clarifications to IFRS 15 Revenue from Contracts with Customers' (hereinafter referred to as 'IFRS 15') replace IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new Standard has been applied retrospectively without restatement, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at 1 January 2018. In accordance with the transition guidance, IFRS 15 has only been applied to contracts that are incomplete as at 1 January 2018.

The adoption of IFRS 15 has mainly affected the following area:

- Development of IT systems involving the design and implementation of complex software solutions

The design and implementation of such systems is complex by nature and is usually completed over a number of months. The contracts typically include both the provision of hardware and software as well as the provision of maintenance and support over a period of time which may extend to a number of years. Prior to the introduction of IFRS 15, revenue on large contracts was recognised in accordance with the percentage completion method in accordance with IAS 11, Construction Contracts. IFRS 15 now replaces, inter alia IAS 11 and this requires revenue to be recognised in accordance with the 5 step model of the new standard.

Following a thorough assessment of a number of significant contracts at year end, the group had only one contract for which the software obligations were still being implemented at 31 December 2017. The contract required a customised software that required significant development and where the performance obligation could only be satisfied together with the delivery and installation of the hardware require for such project. The performance obligation was therefore satisfied at a point in time only when the customer effectively took control of the promised product. This took place during 2018. According to the 5 step model of IFRS 15, the group had not yet satisfied the performance obligation of the contract at the end of 2017 and therefore resulted in an adjustment of € 61,869 to the retained earnings (negative impact) of 1923 Investments plc at 1 January 2018. There are no expected impairments on the project and the adjustment was purely of a timing nature in accordance with the first time adoption of the Standard.

Contracts with multiple performance obligations

A number of the group's contracts comprise a variety of performance obligations including, but not limited to, hardware, software, elements of design and customisation, after-sales services, and installation. Under IFRS 15, the group must evaluate the separability of the promised goods or services based on whether they are 'distinct'. A promised good or service is 'distinct' if both:

- the customer benefits from the item either on its own or together with other readily available resources, and
- it is 'separately identifiable' (ie the group does not provide a significant service integrating, modifying or customising it).

While this represents significant new guidance, the implementation of this new guidance did not have a significant impact on the timing or amount of revenue recognised by the group in any year.

Apart from the effect of the impact noted above, there were no other adjustments to the group reserves at 1 January 2018 arising from the first time adoption of IFRS 15. A further analysis is therefore not required.

IFRS 9 'Financial Instruments'

IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement'. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets.

When adopting IFRS 9, the group has applied transitional relief and opted not to restate prior periods. Any differences arising from the adoption of IFRS 9 in relation to classification, measurement, and impairment would have been recognised in retained earnings.

There was however no impact from the adoption of IFRS 9 on these financial statements.

The adoption of IFRS 9 has impacted the following area of the group:

- the impairment of financial assets applying the expected credit loss model. This affects the group's trade receivables and investments in debt-type assets measured at amortised cost. For contract assets arising from IFRS 15 and trade receivables, the group applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing component. Refer to Note 5.22.

There have been no reclassification of financial instruments between measurement categories arising from the first time application of IFRS 9. Nevertheless, the following table illustrates the categories where IFRS 9 applies and the balances on the categories before and after initial application.

	Measurement category		Carrying amount		
	Original IAS 39 category	New IFRS 9 category	Closing balance at 31 December 2017	Adoption of IFRS 9	Opening balance at 1 January 2018
Non-current financial assets					
Loans and receivables	Amortised cost	Amortised cost	6,476,110	-	6,476,110
Current financial assets					
Loans and receivables	Amortised cost	Amortised cost	732,378	-	732,378
Trade and other receivables	Amortised cost	Amortised cost	14,513,649	-	14,513,649
Cash and cash equivalents	Amortised cost	Amortised cost	3,231,078	-	3,231,078

There have been no changes to the classification or measurement of financial liabilities as a result of the application of IFRS 9.

Since there were no reclassifications or remeasurements of financial assets and financial liabilities at 1 January 2018, a reconciliation of the statement of financial position balances from IAS 39 to IFRS 9 is not required.

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

At the date of authorisation of these financial statements, several new, but not yet effective, Standards, amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards, amendments or Interpretations have been adopted early by the group.

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

IFRS 16 'Leases'

IFRS 16 will replace IAS 17 'Leases' and three related Interpretations. It completes the IASB's long-running project to overhaul lease accounting. Leases will be recorded in the statement of financial position in the form of a right-of-use asset and a lease liability. There are two important reliefs provided by IFRS 16 for assets of low value and short-term leases of less than 12 months.

IFRS 16 is effective from periods beginning on or after 1 January 2019. Early adoption is permitted; however, the group have decided not to early adopt.

Management is in the process of assessing the full impact of the Standard. So far, the group:

- has decided to make use of the practical expedient not to perform a full review of existing leases and apply IFRS 16 only to new or modified contracts. As some leases will be modified or renewed in 2019, the group has reassessed these leases and concluded they will be recognised on the statement of financial position as a right-of-use asset
- believes that the most significant impact will be that the group will need to recognise a right of use asset and a lease liability for the office and operating buildings currently treated as operating leases. At 31 December 2018 the future minimum lease payments amounted to € 14,443,295. This will mean that the

nature of the expense of the above cost will change from being an operating lease expense to depreciation and interest expense.

The group is planning to adopt IFRS 16 on 1 January 2019 using the Standard's modified retrospective approach. Under this approach the cumulative effect of initially applying IFRS 16 is recognised as an adjustment to equity at the date of initial application. Comparative information is not restated.

Choosing this transition approach results in further policy decisions the group need to make as there are several other transitional reliefs that can be applied. These relate to those leases previously held as operating leases and can be applied on a lease-by-lease basis. The group are currently assessing the impact of applying these other transitional reliefs.

5 Summary of accounting policies

5.1 Overall considerations

The consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

The consolidated financial statements have been prepared from the financial statements of the companies comprising the group as detailed in notes to the consolidated financial statements.

5.2 Presentation of financial statements

The consolidated financial statements are presented in accordance with IAS 1 *Presentation of Financial Statements* (IAS 1).

5.3 Basis of consolidation

The group financial statements consolidate those of the parent company and all of its subsidiaries as of 31 December 2018. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The subsidiaries have a reporting date of 31 December.

All transactions and balances between group companies are eliminated on consolidation, including unrealised gains and losses on transactions between group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment losses from the group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

5.4 Business combinations

The group applies the acquisition method in accounting for business combinations. The consideration transferred by the group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

5.5 Investment in subsidiaries

Investment in subsidiaries is included in the company's statement of financial position at cost less any impairment loss that may have arisen. Income from investment is recognised only to the extent of distributions received by the company from post-acquisition profits. Distributions received in excess of such profits are regarded as a recovery of the investment and are recognised as a reduction of the cost of the investment.

At the end of each reporting period, the company reviews the carrying amount of its investment in subsidiaries to determine whether there is any indication of impairment and, if any such indication exists, the recoverable amount of the investment is estimated. An impairment loss is the amount by which the carrying amount of an investment exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. An impairment loss that has been previously recognised is reversed if the carrying amount of the investment exceeds its recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the investment does not exceed the carrying amount that would have been determined if no impairment loss had been previously recognised. Impairment losses and reversals are recognised immediately in profit or loss.

5.6 Investment in associates and joint ventures

An associate is an entity over which the company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The results and assets and liabilities of associates/joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates/joint ventures are initially recognised at cost and adjusted thereafter for the post-acquisition change in the group's share of net assets of the associates/joint ventures, less any impairment in the value of individual investments.

When the group's share of losses of an associate/joint venture exceeds the group's interest in that associate/joint venture (which includes any long-term interests that, in substance, form part of the group's net investment in the associate/joint venture), the group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets and liabilities of an associate/joint venture recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether there is evidence of any impairment loss with respect to the group's investment in an associate/joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount.

5.7 Acquisition of entities and businesses under common control

The acquisition of subsidiaries under common control is accounted for under the principles of predecessor accounting as from the date these subsidiaries are acquired by the holding company's parent at their previous carrying amounts of assets and liabilities included in the consolidated financial statements of the company's parent. Differences on acquisition between the consideration given in exchange for the acquired entities and the amounts at which the assets and liabilities of the acquired are initially recognised are included within equity.

5.8 Acquisition of subsidiaries

The acquisition of subsidiaries that are not under common control is accounted for by applying the acquisition method. The consideration is measured as the aggregate of the fair values, at the date of exchange of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred, except for costs to issue debt or equity securities.

The acquiree's identifiable assets and liabilities that meet the conditions for recognition are recognised at their fair values at the acquisition date, except as specifically required by other International Financial Reporting Standards as adopted by the EU. A contingent liability assumed in a business combination is recognised at the acquisition date if there is a present obligation that arises from past events and its fair value can be measured reliably.

The results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Where necessary, in preparing these consolidated financial statements, appropriate adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by group entities. Intra-group balances, transactions, income and expenses are eliminated on consolidation.

5.9 Goodwill

Goodwill arising in a business combination that is accounted for using the acquisition method is recognised as an asset at the date that control is acquired. Goodwill is measured as the excess of (a) the aggregate of: (i) the consideration transferred; (ii) the amount of any non-controlling interests in the acquiree; and (iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; and (b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

The goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Any gain on a bargain purchase, after reassessment, is recognised immediately in profit or loss.

5.10 Non-controlling interest

Non-controlling interests in the acquiree that are present ownership interests and entitle their shareholders to a proportionate share of the entity's net assets in the event of liquidation, may be initially measured either at the present ownership interests proportionate share in the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on an acquisition-by-acquisition basis. After initial recognition, non-controlling interests in the net assets consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination. Non-controlling interests in the net assets of consolidated subsidiaries are presented separately from the holding company's owners' equity therein. Non-controlling interests in the profit or loss and other comprehensive income of consolidated subsidiaries are also disclosed separately. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

5.11 Revenue recognition

Revenue for the group arises mainly from the sale and distribution of Apple Products as an Apple Premium Reseller, as well as from the sale, maintenance and servicing of information technology solutions, security systems and provides electronic payment solutions. The group is also engaged in providing road, sea and air logistics services in Malta and in Poland.

To determine whether to recognise revenue, the group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

The group often enters into transactions involving a range of the group's products and services, as described above. In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the group satisfies performance obligations by transferring the promised goods or services to its customers.

The group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position (see Note 33). Similarly, if the group satisfies a performance obligation before it receives the consideration, the group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Sale and distribution of Apple products

Revenue from the sale of Apple products for a fixed fee is recognised when or as the group transfers control of the assets to the customer. Amounts receivable for products transferred are due upon receipt by the customer, which is usually immediately upon the sale of the product to the customer. Control for these products is transferred at the point in time and occurs when the customer takes undisputed delivery of the goods.

The group provides a basic 1-year product warranty on its Apple products sold to customers. Under the terms of this warranty, customers can return the product for repair or replacement if it fails to perform in accordance with published specifications. These warranties are accounted for under IAS 37.

Sale of information technology solutions, security systems and other machinery

Revenue from the sale of information technology solutions, security systems and other machinery for a fixed fee is recognised when or as the group transfers control of the assets to the customer. Invoices for products and services transferred are due upon receipt by the customer, which is usually upon the sale of the product to the customer and installation of the items or products sold. Control for these products is usually transferred at the point in time and occurs when the customer takes undisputed delivery of the goods.

When such items are either customised or sold together with significant integration services, the goods and services represent a single combined performance obligation over which control is considered to transfer over time. This is because the combined product is unique to each customer (has no alternative use) and the group has an enforceable right to payment for the work completed to date. Revenue for these performance obligations is recognised over time as the customisation or integration work is performed, using the cost-to-cost method to estimate progress towards completion. As costs are generally incurred uniformly as the work

progresses and are considered to be proportionate to the entity's performance, the cost-to-cost method provides a faithful depiction of the transfer of goods and services to the customer.

Each major contract is nevertheless evaluated for revenue recognition on its own and the group determines when control is effectively transferred depending on the specific circumstances.

For sales of software that are neither customised by the group nor subject to significant integration services, the licence period commences upon delivery. For sales of software subject to significant customisation or integration services, the licence period begins upon commencement of the related services.

Maintenance and servicing

The group enters into fixed price maintenance contracts with its customers for terms between one and three years in length. Customers are required to pay either quarterly or yearly in advance for each respective service period and the relevant payment due dates are specified in each contract.

The group enters into agreements with its customers to perform regularly scheduled maintenance services on the various goods purchased from the group. Revenue is recognised over time based on the ratio between the number of hours of maintenance services provided in the current period and the total number of such hours expected to be provided under each contract. This method best depicts the transfer of services to the customer because: (a) details of the services to be provided are specified as part of the agreed maintenance program relative to the maintenance requirements of the items sold, and (b) the group has a long history of providing these services to its customers, allowing it to make reliable estimates of the total number of hours involved in providing the service.

Consulting and development of IT systems

The group enters into contracts for the design, development and installation of IT systems in exchange for a fixed fee and recognises the related revenue over time. Due to the high degree of interdependence between the various elements of these projects, they are accounted for as a single performance obligation. When a contract also includes promises to perform after-sales services, the total transaction price is allocated to each of the distinct performance obligations identifiable under the contract on the basis of its relative stand-alone selling price.

To depict the progress by which the group transfers control of the systems to the customer, and to establish when and to what extent revenue can be recognised, the group measures its progress towards complete satisfaction of the performance obligation by comparing actual hours spent to date with the total estimated hours required to design, develop, and install each system. The hours-to-hours basis provides the most faithful depiction of the transfer of goods and services to each customer due to the group's ability to make reliable estimates of the total number of hours required to perform, arising from its significant historical experience constructing similar systems.

Most such arrangements include detailed customer payment schedules. When payments received from customers exceed revenue recognised to date on a particular contract, any excess (a contract liability) is reported in the statement of financial position (see Note 33).

The construction of IT systems normally takes 10 - 12 months from commencement of design through to completion of installation. As the period of time between customer payment and performance will always be one year or less, the group applies the practical expedient in IFRS 15.63 and does not adjust the promised amount of consideration for the effects of financing.

In obtaining these contracts, the group incurs some incremental costs. As the amortisation period of these costs, if capitalised, would be less than one year, the group makes use of the practical expedient in IFRS 15.94 and expenses them as they incur. Such incremental costs are not considered to be material.

Payment Gateway

The group enters into transactions with parties for the access to a payment gateway. The group's revenue is mainly derived from the actual volume of traffic on the payment gateway and on other fixed charges. The price is agreed and established with the customer in written contracts and is allocated to the performance obligation accordingly. Prices are based on established amounts for such services. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Road, sea and air logistics services

Revenue from the provision of road, sea and air logistics services for an agreed price is recognised when or as the group completes delivery to the customer. Invoices for services rendered are due upon completion of the contracted service, which is usually immediately upon delivery to the customer. Control for these products is transferred at the point in time and occurs when the customer takes undisputed delivery of the goods on which the transportation service has been provided.

5.12 Interest and dividends

Interest income and expenses are reported on an accrual basis using the effective interest method. These are reported within 'finance income' and 'finance costs'.

Dividends are recognised at the time the right to receive payment is established.

5.13 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service as incurred.

5.14 Borrowing costs

Borrowing costs include the costs incurred in obtaining external financing. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised from the time that expenditure for these assets and borrowing costs are being incurred and activities that are necessary to prepare these assets for their intended use or sale are in progress. Borrowing costs are capitalised until such time as the assets are substantially ready for their intended use or sale. Borrowing costs are suspended during extended periods in which active development is interrupted. All other borrowing costs are recognised as an expense in profit or loss in the period in which they are incurred.

5.15 Employee benefits

The group contributes towards the state pension in accordance with local legislation. The only obligation of the group is to make the required contributions. Costs are expensed in the period in which they are incurred.

5.16 Share based payments

The group operates equity-settled share-based remuneration plans for one of its senior officers.

The fair value of the services received in exchange for the grant of share-based payments is determined indirectly by reference to the fair value of the equity instruments granted. Their fair value is appraised at the grant date.

All equity-settled share-based remuneration is ultimately recognised as an expense in the consolidated profit or loss with a corresponding credit to retained earnings. The equity-settled share-based remuneration is recognised as a receivable from a subsidiary in the statement of financial position of the company with a corresponding credit to retained earnings.

5.17 Foreign currency translation

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective group entity using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in the profit or loss.

Non-monetary items are not retranslated at the year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

In the group's financial statements, all assets, liabilities and transactions of group entities with a functional currency other than the Euro are translated into Euro upon consolidation. The functional currency of the entities in the group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into Euro at the closing rate at the reporting date. Income and expenses have been translated into Euro at the average rate over the reporting period. Exchange differences are charged or credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal.

5.18 Intangible assets

An intangible asset is recognised if it is probable that the expected future economic benefits that are attributable to the asset will flow to the company and the cost of the asset can be measured reliably.

Intangible assets are initially measured at cost, being the fair value at the acquisition date for intangible assets acquired in a business combination. Expenditure on an intangible asset is recognised as an expense in the period when it is incurred unless it forms part of the cost of the asset that meets the recognition criteria or the item is acquired in a business combination and cannot be recognised as an intangible asset, in which case it forms part of goodwill at the acquisition date.

The useful life of intangible assets is assessed to determine whether it is finite or indefinite. Intangible assets with a finite useful life are amortised. Amortisation is charged to profit or loss so as to write off the cost of intangible assets less any estimated residual value, over their estimated useful lives. The amortisation method applied, the residual value and the useful life are reviewed, and adjusted if appropriate, at the end of each reporting period.

Intangible assets are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount, and are included in profit or loss in the period of derecognition.

Patents and trademarks

Patents and trademarks are classified as intangible assets. After initial recognition, patents and trademarks are carried at cost less any accumulated amortisation and any accumulated impairment losses. Patents and trademarks are amortised on a straight-line basis over ten years.

Internally developed software

Expenditure on the research phase of projects to develop new customised software is recognised as an expense as incurred.

Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following recognition requirements:

- the development costs can be measured reliably
- the project is technically and commercially feasible
- the group intends to and has sufficient resources to complete the project
- the group has the ability to use or sell the software
- the software will generate probable future economic benefits.

Development costs not meeting these criteria for capitalisation are expensed as incurred.

Directly attributable costs include employee costs incurred on software development along with an appropriate portion of relevant overheads and borrowing costs.

All finite-lived intangible assets, including capitalised internally developed software, are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described in note 5.21. The following useful lives are applied:

Software	Years 3
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Any capitalised internally developed software that is not yet complete is not amortised but is subject to impairment testing as described in Note 5.21.

Amortisation is included within depreciation, amortisation and impairment of non-financial assets.

Subsequent expenditures on the maintenance of computer software and brand names are expensed as incurred.

5.19 Plant and equipment

The group's property, plant and equipment are classified into the following classes – land and buildings, plant and equipment, motor vehicles, furniture, fittings and other equipment and computer equipment.

Property, plant and equipment are initially measured at cost. Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. Expenditure on repairs and maintenance of property, plant and equipment is recognised as an expense when incurred.

Property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount, and are included in profit or loss in the period of derecognition.

Depreciation

Depreciation commences when the depreciable assets are available for use and is charged to profit or loss so as to write off the cost, less any estimated residual value, over its estimated useful lives, using the straight-line method, on the following bases:

	Years
Improvements to premises	2.5 – 5
Plant and equipment	10 – 33
Motor vehicles	10 – 25
Furniture, fittings and other equipment	10 – 25
Computer equipment	14 – 33

The depreciation method applied, the residual value and the useful life are reviewed, and adjusted if appropriate, at the end of each reporting period.

5.20 Leases

Operating leases

Operating leases are those leases where a significant portion of the risk and rewards of ownership are effectively retained by the lessor.

Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term, where the lessee does not bear substantially all of the risks and rewards of ownership associated with the asset. Associated costs, such as maintenance and insurance, are expensed as incurred.

Finance leases

Management applies judgment in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the assets value and whether the group obtains ownership of the asset at the end of the lease term.

Finance leases are classified at the lease's inception at the fair value of the leased asset or, if lower, the present value of minimum lease payments. The corresponding rental obligations, net of finance lease charges, are included in other short-term and long-term trade and other payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The group does not have any assets under finance lease.

5.21 Impairment testing of intangible assets and plant and equipment

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the greater of its fair value less costs to sell and its value in use. To determine the value in use, the group's management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by the group's management.

Impairment losses are recognised immediately in profit or loss. Impairment losses for cash-generating units are charged pro rata to the assets in the cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge that has been recognised is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

5.22 Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the group and the company become a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI),

In the periods presented the group and the company do not have any financial assets categorised as FVTPL and FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

As already indicated above, the group held no financial assets at fair value through profit or loss.

Financial assets at fair value through other comprehensive income (FVOCI)

Financial assets at FVOCI are classified accordingly if the assets meet the following conditions:

- they are held under a business model whose objective it is "hold to collect" the associated cash flows and sell, and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income (OCI) will be recycled upon derecognition of the asset.

As already indicated above, the group held no financial assets at fair value through profit or loss.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI (the group had no debt-type financial assets at FVOCI), trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss (the group had no financial guarantee contracts).

Recognition of credit losses is no longer dependent on the group first identifying a credit loss event. Instead the group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Previous financial asset impairment under IAS 39

In the prior year, the impairment of trade receivables was based on the incurred loss model. Individually significant receivables were considered for impairment when they were past due or when other objective evidence was received that a specific counterparty will default. Receivables that were not considered to be individually impaired were reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate was then based on recent historical counterparty default rates for each identified group.

Trade and other receivables and contract assets

The group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The group assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due. Refer to note 4.2.2 for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the group's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

The Group's financial liabilities include borrowings and trade and other payables and other financial liabilities.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the group designates a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments). The group does not hold derivatives and financial liabilities designated at FVTPL.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

5.23 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method and comprises expenditure incurred in acquiring the inventories and other costs incurred in bringing the inventories to their present location and condition. The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and an appropriate proportion of production overheads based on the normal level of activity. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the costs to be incurred in marketing, selling and distribution.

5.24 Income taxes

Current and deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also dealt with in other comprehensive income or in equity, as appropriate.

Current tax is based on the taxable result for the period. The taxable result for the period differs from the result as reported in profit or loss because it excludes items which are non-assessable or disallowed and it further excludes items that are taxable or deductible in other periods. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets, including deferred tax assets for the carry forward of unused tax losses and unused tax credits, are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill. Deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither accounting profit nor taxable profit.

Deferred tax liabilities are not recognised for taxable temporary differences arising on investments in subsidiaries/associates/interests in joint arrangements where the company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets are recognised for deductible temporary differences arising on investments in subsidiaries/associates/interests in joint arrangements where it is probable that taxable profit will be available against which the temporary difference can be utilised and it is probable that the temporary difference will reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be utilised.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Current tax assets and liabilities are offset when the group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset when the group entities have a legally enforceable right to set off its current tax assets and liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

5.25 Discontinued operations

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

5.26 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows and are presented in current liabilities in the statement of financial position.

5.27 Equity and reserves

Share capital represents the nominal value of shares that have been issued.

Redemptions or refinancing of equity instruments are recognised as changes in equity.

Retained earnings include current period results as disclosed in the income statement less dividend distributions.

Translation reserve comprises foreign currency translation differences arising from the translation of financial statements of the group's entities denominated in foreign currencies.

Dividend distributions payable to equity shareholders are included with short-term financial liabilities when the dividends are approved in general meeting prior to the end of the reporting period.

5.28 Provisions and contingent liabilities

Provisions for legal disputes, onerous contracts or other claims are recognised when the group and the company have a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the group and the company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised.

5.29 Significant management judgement in applying accounting policies and estimation uncertainty

When preparing the financial statements management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgements

The following are the judgements made by management in applying the accounting policies of the group that have the most significant effect on the financial statements.

Recognition of service and contract revenues

As revenue from after-sales maintenance agreements and consulting and development of systems contracts is recognised over time, the amount of revenue recognised in a reporting period depends on the extent to which the performance obligation has been satisfied. For after-sales maintenance agreements this requires an estimate of the quantity of the services to be provided, based on historical experience with similar contracts. In a similar way, recognising revenue for consulting and development of systems contracts also requires significant judgment in determining the estimated number of hours required to complete the promised work when applying the hours-to-hours method described in Note 5.11. Management however considers that any variance in estimates on ongoing contracts would be insignificant to the group.

Capitalisation of internally developed software

Distinguishing the research and development phases of a new customised software project and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired (see Note 5.18).

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions (see Note 5.24).

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Impairment of intangible assets including goodwill and tangible assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows (see note 5.21). In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to

future events and circumstances. The actual results may vary, and may cause significant adjustments to the group's assets within the next financial year.

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

The group tests goodwill and intangible assets with an indefinite useful life annually for impairment or more frequently if there are indications that goodwill or intangibles might be impaired. Determining whether the carrying amounts of these assets can be realised requires an estimation of the recoverable amount of the cash generating units. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value.

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

At 31 December 2018, goodwill was allocated as follows:

- € 21,368,029 (2017: € 22,833,011) to the polish subsidiary iSpot Poalnd SP. Z.O.O. which operates the Apple Premium Reseller Business.
- € 3,357,248 (2017: € 3,357,248) to APCO Systems Limited which operates the electronic payment gateway.
- € 2,671,762 (2017: € 2,671,763) to APCO Limited which operates in the business of selling and maintenance of IT solutions and security systems.
- € 1,464,476 (2017: € 1,464,476) to PTL Limited business.
- € 25,424,366 (2017: € 25,674,834) to Hili Logistics group business

In 2017, the group acquired Hili Logistics Group. As a result of this acquisition, goodwill amounting to € 25,674,834 was generated.

CGU – Retail and IT Solutions (Poland)

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

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

- forecasted cash flow projections for the next three years and projection of terminal value using the perpetuity method;
- growth rates to perpetuity of 2.0%; and
- use of 13.2% (pre-tax) (2017: 11.5%) to discount the projected cash flows to net present values

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

CGU – Payment Processing Services

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

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

- forecasted cash flow projections for the next three years and projection of terminal value using the perpetuity method;
- growth rates to perpetuity of 2.0%; and
- use of 17.2% (pre-tax) (2017: 15.1%) to discount the projected cash flows to net present values

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

CGU – IT Solutions and Security Systems

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

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

- forecasted cash flow projections for the next three years and projection of terminal value using the perpetuity method;
- growth rates to perpetuity of 2.0%; and
- use of 13.2% - 17.1% (pre-tax) (2017: 16.2% - 21.8%) to discount the projected cash flows to net present values

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

CGU – Hili Logistics group

The directors of Hili Logistics group consider that the logistics business represents one single, consistent and homogenous operating segment. In defining this assumption for the purpose of testing goodwill for impairment, the directors consider that although the entity has essentially three operating interests, each component on its own is not representative of a separate component of the group's operations. Moreover decisions about resource allocation are made for the logistics operations of Malta and Poland as a whole. In view of this the directors consider the logistics business to be one cash-generating unit (CGU).

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

growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The assessment of recoverability of the carrying amount of goodwill and the investments held by the company includes:

- forecasted cash flow projections for the next three years and projection of terminal value using the perpetuity method;
- growth rates of 2.0%; and
- use of 8.7% - 12.8% (pre-tax) (2017: 11.8% - 15.7%) to discount the projected cash flows to net present values

During the year ended 31 December 2017, the directors recognised an impairment loss of € 2,000,000. Based on the above assessment, the directors expect the carrying amount of investments in subsidiaries and associates and the carrying amount of goodwill at 31 December 2018 to be recoverable.

Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets to the group. Actual results, however, may vary due to technical obsolescence.

Inventories

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

Business combinations

Management uses valuation techniques when determining the fair values of certain assets and liabilities acquired in a business combination (see Note 5.4).

6 Segment reporting

The group operates four (2017: three business) activities which are the sale of retail and IT solutions in Poland predominately as an Apple Premium Reseller, the sale of payment processing services, the provision of IT solutions and security systems and the provision of road, sea and air logistics services. Each of these operating segments is managed separately as each of these lines requires local resources. All inter segment transfers for management services are carried out on a cost basis.

The accounting policy for identifying segments is based on internal management reporting information that is regularly reviewed by the chief operating decision maker.

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

The group operated in two principal geographical areas -Malta (country of domicile) and Poland. The sale of payment processing services and the provision of IT solutions and security systems are derived from Malta whilst the sale of Apple products is derived from Poland. The provision of road, sea and air logistics services is carried out in Malta and in Poland

In 2018 and 2017, the group did not have any clients which individually represented 10% or more of the total revenue of the group.

As at the end of the reporting period the total amount of intangible assets and property, plant and equipment in amounted to € 12,099,714 (2017: € 12,724,382) and € 6,629,098 (2017: € 7,874,394) respectively.

Measurement of operating segment profit or loss, assets and liabilities

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

The accounting policies of the reportable segments are the same as the group's accounting policies described in note 5.

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

Profit and loss before tax from continuing operations

	2018 €	2017 €
Total profit for reportable segments	1,767,790	2,381,316
Unallocated amounts:		
Interest expense	(2,740,165)	(2,265,164)
Other unallocated amounts	(244,979)	(182,318)
	<u>(1,217,354)</u>	<u>(66,166)</u>

Assets

	2018 €	2017 €
Total assets for reportable segments	71,890,441	81,961,767
Elimination of receivables	(57,985,140)	(49,352,974)
Unallocated amounts:		
Property, plant and equipment	15,500	31,486
Goodwill	54,285,881	56,001,331
Intangible assets	10,746,987	12,559,588
Loans and receivables	42,370,244	27,547,732
Cash and cash equivalents	1,803,433	247,418
Other unallocated amounts	(2,333,604)	(10,505,992)
	<u>120,793,742</u>	<u>118,490,356</u>

Liabilities

	2018 €	2017 €
Total liabilities for reportable segments	80,425,653	52,957,565
Elimination of liabilities	(57,985,140)	(49,352,974)
Unallocated amounts:		
Bank loans	300,000	10,642,762
Debt securities in issue	35,515,557	35,434,649
Trade and other payables	33,588,410	35,271,531
Other unallocated amounts	(9,368,459)	(174,001)
	<u>82,476,021</u>	<u>84,779,532</u>

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Report and consolidated financial statements
For the year ended 31 December 2018**

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

	Retail and IT Solutions (Poland and Romania) €	Payment processing services €	IT Solutions and security systems €	Land, sea and air logistics services* €	Total €	Unallocated €	Eliminations and adjustments €	Consolidated €
2018								
Revenue	99,689,482	3,726,545	12,553,799	16,287,553	132,257,379	2,123,492	(12,358,120)	122,022,751
Profit before tax	(53,509)	1,609,487	(106,591)	318,403	1,767,790	3,469,985	(6,302,516)	(1,064,741)
Depreciation and amortisation	1,890,102	217,581	116,441	180,163	2,404,287	99,041	(40,665)	2,462,663
Segment assets	51,868,916	3,967,281	8,259,993	7,794,251	71,890,441	159,232,284	(110,328,983)	120,793,742
Capital expenditure	(1,189,170)	(323,320)	(138,196)	(7,821)	(1,658,507)	(4,532)	-	(1,663,039)
Segment liabilities	64,410,437	2,801,352	7,808,821	5,405,043	80,425,653	69,103,968	(67,053,600)	82,476,021
Income tax expense	(191,524)	563,320	(21,358)	152,732	503,170	782,091	(1,132,647)	152,614
2017								
Revenue	84,448,504	2,524,089	12,140,126	-	99,112,719	1,547,860	(3,125,104)	97,535,475
Profit before tax	985,629	1,007,584	197,117	-	2,190,330	11,491,429	(13,747,925)	(66,166)
Depreciation and amortisation	1,578,913	17,780	89,467	-	1,686,160	182,254	(73,651)	1,794,763
Segment assets	36,486,276	2,052,679	7,155,451	36,267,361	81,961,767	188,972,327	(152,443,738)	118,490,356
Capital expenditure	2,630,349	9,694	90,313	4,363,279	7,093,635	5,861	-	7,099,496
Segment liabilities	35,187,246	656,447	6,640,468	10,473,404	52,957,565	81,174,506	(49,352,539)	84,779,532
Income tax expense	310,616	355,875	88,087	-	754,578	507,072	(653,319)	608,331

* The results of the logistics services segment have been consolidated for the first time in 2018 since this segment was acquired in December 2017. Consequently, revenue and expenses of that business segment for 2017 is not included in these financial statements.

7 Revenue

Revenue represents the amount receivable for goods sold and services rendered during the period from continuing operations, net of any indirect taxes as follows:

	The group 2018 €	The group 2017 €	The company 2018 €	The company 2017 €
Sale of goods	92,843,470	90,226,608	-	-
Logistics and transport services*	16,407,553	-	-	-
Rendering of services and development	5,951,850	1,657,916	-	-
Maintenance, support and servicing	2,947,712	3,122,962	-	-
Payment gateway services	3,872,166	2,524,089	-	-
Licenses	-	3,900	-	-
Management fees	-	-	1,080,000	420,000
	122,022,751	97,535,475	1,080,000	420,000

*As explained in note 6, the logistics and transport services business was acquired in December 2017 and therefore revenue from that business is not included in the comparative figures.

Assets related to contracts with customers include amounts that the group expects to receive from performance obligations that have been satisfied before it receives the consideration and has not invoiced such amounts by the end of the year.

The following are the amounts recognised as contract assets at the end of the reporting periods presented:

	The group 2018 €	The group 2017 €
Contract assets relating to rendering of services and development	659,727	-
Contract assets relating to maintenance, support and servicing	58,552	-
Contract assets relating to commission income accrued on gateway	186,779	-
	905,058	-

Had the group reclassified contract assets for the previous financial year, such assets would have amounted to € 1,083,323. The group has elected not to reclassify prior period amounts as permitted by IFRS 15.

Contract assets have decreased since the group still had a number of significant projects that had not yet been billed for performance obligations that have been satisfied by the end of 2017. A number of these projects have been completed during the current financial year. The group does not expect any loss allowances from such amounts, as these are due from customers with no history of losses and which are considered of good credit quality. The assessment of credit losses on balances at 31 December 2018 did not result in any material amount and considered by management to be insignificant.

Unsatisfied long-term performance obligations

The following aggregated amounts of transaction prices relate to the performance obligations from existing contracts that are unsatisfied or partially unsatisfied as at 31 December 2018:

	2019 €	2020 €	2021 €	Later €
Revenue expected to be recognised	751,068	754,674	575,102	53,733

Transaction prices allocated to unsatisfied or partially unsatisfied performance obligations at 31 December 2017 are not disclosed as permitted under the transitional provisions of IFRS 15.

8 Other operating income

	The group 2018 €	The group 2017 €
Other operating income	81,237	10,686
	81,237	10,686

9 Investment income

	The group 2018 €	The group 2017 €	The company 2018 €	The company 2017 (restated) €
Other interest income	17,718	87,399	17,718	-
Intra-group interest income	151,587	95,514	764,598	260,344
Interest income from related parties	33,027	-	489	-
Dividends from subsidiaries	-	-	4,200,401	4,966,006
Dividends from associate	-	326,071	-	-
	202,332	508,984	4,983,206	5,226,350

10 Finance costs

	The group 2018 €	The group 2017 €	The company 2018 €	The company 2017 (restated) €
Interest on bank loan	687,932	505,297	-	-
Interest on bond	1,836,000	1,836,000	1,836,000	1,836,000
Other interest payable	35,255	-	32,296	22,406
Intra-group interest payable	89,759	45,129	533,294	202,786
Other finance costs	10,312	234,035	-	-
Amortisation of bond issue costs	80,907	80,907	80,907	80,907
	2,740,165	2,701,368	2,482,497	2,142,099

11 Profit (loss) before tax

The profit (loss) before tax is stated after charging/(crediting):

	The group 2018 €	The group 2017 €	The company 2018 €	The company 2017 €
Depreciation and amortisation	2,304,569	1,794,763	1,000	-
Net exchange differences	166,031	(117,840)	-	-

As explained in note 6, the logistics and transport services business was acquired in December 2017 and therefore expenses relating to that business were not included in the comparative figures. This new business accounts for €4m of the increase in administrative expenses which have increased by a total of €6.2m compared to the previous year. The other increases comprise a management fee of €0.66m charged by Hili Ventures Limited and other general increase in costs across the group's divisions.

The analysis of the amounts that are payable to the auditors and that are required to be disclosed as follows:

Group

Total remuneration payable to the parent company's auditors in respect of the audit of the financial statements and the undertakings included in the consolidated financial statements amounted to € 67,493 (2017: € 57,000) and the remuneration payable to the other auditors in respect of the audits of the undertakings included in the consolidated financial statements amounted to € 21,440 (2017: € 42,000). Other fees payable to the parent company's auditors for non-audit services, namely tax services, amounted to € 8,380 (2017: € 7,600).

Holding company

Total remuneration payable to the parent company's auditors for the audit of the company's financial statements amounted to € 6,000 (2017: € 5,750). Other fees payable to the parent company's auditors for non-audit services other than other assurance services and tax advisory services amounted to € Nil (2017: € Nil).

12 Key management personnel compensation

	The group 2018 €	The group 2017 €	The company 2018 €	The company 2017 €
Directors' compensations				
<i>Short term benefits:</i>				
Fees	24,000	24,000	24,000	24,000
Management remuneration	1,293,720	276,984	235,381	-
Value of services provided by an officer of the group	38,441	160,303	-	-
	1,356,161	461,287	259,381	24,000
Directors' compensations				
<i>Short term benefits:</i>				
Salaries and social security contributions	338,416	468,374	77,144	-
Total key management personnel compensation				
Short term benefits	1,694,577	929,661	336,525	24,000

12.1 Share-based payments

On 24 October 2016 the group entered into a share option agreement by virtue of which a maximum of 10% of the issued shares in one of the group's subsidiaries were granted as share options to one senior officer of the group. The options under this scheme vested immediately.

Each option allows the holder to purchase one ordinary share having a nominal value of € 1.00 per share at a subscription price of € 1.36 per share. Options must be exercised within 8 years from the vesting date.

Share options for the reporting period presented are as follows:

	Number of share options
	No.
Granted in 2016	1,139,032
Shares transferred in 2016 and 2017	(29,410)
Outstanding at 31 December 2017	1,109,622
Outstanding at 1 January 2018	1,109,622
Shares transferred in 2018	(14,705)
Outstanding at 31 December 2018	1,094,917

The fair value of the options granted was determined by reference to the fair value of the equity instruments granted at grant date using a variation of the binomial option pricing model that takes into account factors specific to the share option. The following principal assumptions were used in the valuation:

	Options vested in 2016
Grant date	24 October 2016
Volatility	0.42
Option life	8 years
Dividend yield	10.83%
Risk-free investment rate	1.4%
Fair value of the option at 31 December 2018	€ 0.141
Exercise price at grant date (€)	€ 1.36
Exercisable from / to	24 October 2016 / 23 October 2024

The option holder is also entitled to receive 14,705 ordinary shares of € 1 each per annum, starting from the year ended 31 December 2016, for no consideration, for as long as he continues to provide services to the group's subsidiary. These shares are to be deducted from the share option entitlement.

The effect of the share-based payment transaction on the statement of profit or loss and other comprehensive income and statements of financial position for the reporting periods presented are as follows:

Statements of profit or loss and other comprehensive income

	The group	The group	The company	The company
	2018	2017	2018	2017
	€	€	€	€
Administrative costs	38,441	160,303	-	-

Statements of financial position

	The group 2018 €	The group 2017 €	The company 2018 €	The company 2017 €
Non-current assets				
Investment in subsidiary	-	-	(14,705)	(29,410)
Receivable from subsidiary	-	-	38,441	160,303
Equity				
Non-controlling interest	(14,705)	(29,410)	-	-
Other reserves	(23,736)	(130,893)	(23,736)	(130,893)

13 Employee remuneration

Expenses recognised for staff costs are analysed below:

	The group 2018 €	The group 2017 €	The company 2018 €	The company 2017 €
Wages and salaries	11,125,688	7,542,909	250,680	24,000
Social security costs	1,254,858	1,137,744	8,340	-
Maternity fund contributions	6,924	8,064	361	-
	12,387,470	8,688,717	259,381	24,000
Recharges from related parties	-	289,437	-	10,500
Capitalised wages	(96,273)	-	-	-
Recharges to related parties	-	(52,351)	-	-
	12,291,197	8,925,803	259,381	34,500

The average number of persons employed during the year by the group excluding executive directors, was made up of:

	The group 2018 €	The group 2017 €
Operations	423	368
Administration	122	103
	545	471

14 Tax expense

The major components of tax expense and the reconciliation of the expected tax income (expense) based on the effective tax rate of the group and the company at 35% (2017: 35%) and the reported tax expense in the income statement are as follows:

	The group 2018	The group 2017	The company 2018	The company 2017 (restated)
	€	€	€	€
Profit (loss) before tax	(1,064,740)	(66,166)	2,294,744	3,064,032
Tax rate	35%	35%	35%	35%
Expected tax at the applicable rate	(372,659)	(23,158)	803,161	1,072,411
Tax effect of:				
Different tax rates of subsidiaries operating in other jurisdictions	(138,575)	(233,158)	(596,032)	(706,882)
(Over) / Under provision of tax in prior year	114,980	-	114,980	-
Deferred tax not recognised	380,915	165,061	350	-
Adjustment for adoption of IFRS 15	(21,654)	-	-	-
Income not chargeable to tax	-	(52,385)	-	-
Deferred tax asset movement	-	20,708	-	-
Loss on discontinued operations	-	(1,746)	-	-
Disallowable expenses	159,852	708,322	(826)	(300,920)
Permanent differences	29,755	24,687	-	-
Actual tax expense, net	152,614	608,331	321,633	64,609
Comprising:				
Current tax expense	295,861	533,691	206,653	64,609
Deferred tax expense / (income)	(258,227)	76,254	-	-
Over / (under) provision of tax in prior year	114,980	(1,614)	114,980	-
	152,614	608,331	321,633	64,609

Refer to note 35 for information on the deferred tax movements of the group and the company.

15 Dividends

A dividend of € 5,800,000 was proposed and paid for 2018 (2017: No dividend was recommended).

16 Goodwill

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

	Note	The group €
At 1 January 2017		28,606,957
Amounts recognised from acquisition of subsidiaries in 2017	38	25,674,835
Goodwill written off in subsidiaries		(31,726)
Effect of exchange differences on retranslation of goodwill on foreign subsidiaries		1,751,265
At 31 December 2017		56,001,331
At 1 January 2018		56,001,331
Effect of exchange differences on retranslation of goodwill on foreign subsidiaries		(1,715,450)
At 31 December 2018		54,285,881
Carrying amount		
At 31 December 2017		56,001,331
At 31 December 2018		54,285,881

Amounts recognised as goodwill prior to acquisitions of subsidiaries made up to 2013 were based on predecessor accounting principles while the goodwill recognised in 2014, 2016 and 2017 was based on the acquisition accounting principles.

17 Intangible assets – The group

	Note	The group €
Gross carrying amount		
At 1 January 2017		11,931,571
Additions		553,501
Recognised on acquisition of subsidiary	38	5,844
Disposals		(518)
Impairment provision		(86,556)
Effect of foreign exchange differences		746,142
At 31 December 2017		13,149,984
At 1 January 2018		13,149,984
Additions		473,869
Disposals		(140,059)
Effect of foreign exchange differences		(745,730)
At 31 December 2018		12,738,064

	Note	The group €
Amortisation		
At 1 January 2017		397,560
Provision for the year		66,454
Recognised on acquisition of subsidiary	38	4,966
Released on disposal		(517)
Effect of foreign exchange differences		(42,861)
At 31 December 2017		425,602
At 1 January 2018		425,602
Provision for the year		349,458
Released on disposal		(110,760)
Effect of foreign exchange differences		(25,950)
At 31 December 2018		638,350
Carrying amount		
At 31 December 2017		12,724,382
At 31 December 2018		12,099,714

The amortisation charge was included in administrative expenses.

Intangible assets include separately identified intangible assets acquired during 2014 as part of the business combinations amounting to € 12,000,000 which have been recognised separately from goodwill. In 2018, intangible assets were adjusted downwards by € 771,680 following a deterioration of the Polish Zloty from the date of acquisition to the balance sheet date. In 2017, intangible assets were adjusted upwards by € 703,281 following an improvement of the Polish Zloty from prior year.

These intangible assets relate to:

- SAD's Apple Premium Reseller operations operating under the brand iSpot together with related contracts – € 10,740,689 (2017: € 11,486,731). The useful life of this asset is considered to be indefinite as there was no foreseeable limit to the period over which the asset is expected to generate net cash inflows. In arriving at this conclusion management considered such factors as the stability of the industry and changes in the demand for such products. This assessment is reassessed periodically.
- APCO's payment gateway system – € 1,000,000. The useful life of this asset was considered to be finite due to possible technological obsolescence and is being amortised on a straight line basis. Until 31 December 2014, the group was amortising the intangible asset over 3 years. Following the knowledge generated, the group re-assessed the remaining useful life of the asset to be 10 years. Had the group not-reassessed the remaining useful life, the additional amortisation for the years 2015, 2016 and 2017 would have amounted to € 233,000 annually more. This asset would have been fully amortised by 31 December 2017 had the group not re-assessed the remaining useful life. As from 2018, the yearly amortisation on this asset amounts to € 89,855. The amortisation charge for the year is included within administrative expenses.

18 Property, plant and equipment – The group

	Improvements to premises €	Equipment €	Motor vehicles €	Furniture, fixtures and fittings €	Total €
Cost					
At 1 January 2017	3,359,955	2,337,982	439,312	3,421,080	9,558,329
Additions	444,420	947,891	-	790,405	2,182,716
Acquired on acquisition of subsidiary (note 38)	2,421,002	823,936	110,203	1,002,294	4,357,435
Disposals for the year	(34,572)	(597,513)	(193,219)	(36,478)	(861,782)
Effect of foreign currency exchange differences	179,418	187,493	20,745	160,845	548,501
At 31 December 2017	6,370,223	3,699,789	377,041	5,338,146	15,785,199
At 1 January 2018	6,370,223	3,699,789	377,041	5,338,146	15,785,199
Additions	162,013	579,912	33,366	413,879	1,189,170
Disposals for the year	(61,815)	(160,266)	(140,543)	(157,139)	(519,763)
Effect of foreign currency exchange differences	(8,331)	(1,907)	(2,682)	(2,130)	(15,050)
At 31 December 2018	6,462,090	4,117,528	267,182	5,592,756	16,439,556
Depreciation					
At 1 January 2017	1,238,130	1,397,577	203,320	1,662,825	4,501,852
Charge for the year	572,504	504,326	64,869	586,610	1,728,309
Acquired on acquisition of subsidiary (note 38)	309,838	699,550	86,790	803,158	1,899,336
Released on disposal	-	(364,791)	(140,426)	(15,430)	(520,647)
Effect of foreign currency exchange differences	66,092	147,770	8,826	79,267	301,955
At 31 December 2017	2,186,564	2,384,432	223,379	3,116,430	7,910,805
At 1 January 2018	2,186,564	2,384,432	223,379	3,116,430	7,910,805
Charge for the year	741,525	563,811	52,771	755,098	2,113,205
Released on disposal	42,530	(63,591)	(82,825)	(86,519)	(190,405)
Effect of foreign currency exchange differences	(7,104)	(5,129)	(2,206)	(8,708)	(23,147)
At 31 December 2018	2,963,515	2,879,523	191,119	3,776,301	9,810,458
Carrying amount					
At 31 December 2017	4,183,659	1,315,357	153,662	2,221,716	7,874,394
At 31 December 2018	3,498,575	1,238,005	76,063	1,816,455	6,629,098

Plant and equipment – The company

The following are the plant and equipment of the company:

	The company €
Gross carrying amount	
Additions	4,000
At 31 December 2018	<u>4,000</u>
Amortisation	
Provision for the year	1,000
At 31 December 2018	<u>1,000</u>
Carrying amount	
At 31 December 2018	<u>3,000</u>

The depreciation charge was included in administrative expenses.

19 Investment in subsidiaries

19.1 The company

	2018 €	2017 (restated) €
At 1 January	64,923,823	39,378,233
Acquired upon merger	1,190	-
Acquisitions	-	25,575,000
Disposals	(14,705)	(29,410)
At 31 December	<u>64,910,308</u>	<u>64,923,823</u>

The company acquired an investment in a subsidiary upon the merger with iSpot Holdings BV on 5 September 2018. On 18 December 2017 the company acquired Hili Logistics Limited from Hili Ventures Limited, at a consideration price of € 25,575,000.

Disposals made during 2018 and 2017 comprise entirely of shares the company held in Harvest Technology Limited as disclosed in note 12.

19.2 The group

1923 Investments p.l.c. has investments in the following subsidiaries:

Name of subsidiary	Place of incorporation	Proportion ownership interest		Holding	Portion voting power held		Principal activity
		2018 %	2017 %		2018 %	2017 %	
Harvest Technology Limited	Malta	100	100	Direct	100	100	Holding company
iSpot Poland SP. Z O.O (formerly PTL Poland SP. Z O.O)	Poland	100	100	Direct (2017: Indirect)	100	100	Sale of retail and IT solutions
iSpot Holdings B.V. (merged with Company)	Netherlands	-	100	Direct	100	100	Holding company

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Name of subsidiary	Place of incorporation	Proportion ownership interest		Holding	Portion of voting power held		Principal activity
		2018 %	2017 %		2018 %	2017 %	
Hili Logistics Limited	Malta	100	100	Direct	100	100	Holding company
PTL Limited	Malta	100	100	Indirect	100	100	Sale of IT solutions and security systems
APCO Limited	Malta	100	100	Indirect	100	100	Sale of IT solutions and security systems
APCO Systems Limited	Malta	100	100	Indirect	100	100	Sale of IT solutions and security systems
SAD SP. Z O.O	Poland	100	100	Direct (2017: Indirect)	100	100	Sale of retail and IT solutions
iSpot Premium Romania	Romania	100	100	Indirect	100	100	Sale of retail and IT solutions
Ipsyon Ltd	Malta	100	100	Indirect	100	100	Holding of intellectual property
Eunoia Ltd	Malta	100	100	Indirect	100	100	Sale of software
Stride Technology Ltd (merged within PTL Ltd)	Malta	-	100	Indirect	-	100	Sale of software
Carmelo Caruana Company Limited	Malta	100	100	Indirect	100	100	Shipping agent and freight forwarder
Carmelo Caruana Freeport Operations Limited	Malta	100	100	Indirect	100	100	Transshipment and storekeeping
Airsped Express Limited (merged with Carmelo Caruana Company Ltd)	Malta	-	100	Indirect	-	100	Parcel delivery service
Global Parcels Limited	Malta	100	100	Indirect	100	100	Parcel delivery service
Hili Company BV (merged with Hili Logistics)	Netherlands	-	100	Indirect	-	100	Holding company
STS Support Services BVI	British Virgin Islands	100	100	Indirect	100	100	Ship to ship services
Allcom Sp. z.o.o.	Poland	100	100	Indirect	100	100	Shipping and freight forwarding
Poang Limited	Malta	100	50	Indirect	100	50	Software development

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Information about direct subsidiaries of the company is as follows:

Name of company	Registered office	Capital and reserves at 31 December		Profit/(loss) for the year ended 31 December	
		2018 €	2017 €	2018 €	2017 €
Harvest Technology Limited	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta	11,439,579	11,339,723	849,856	390,694
iSpot Poland SP. Z O.O	UL. Pulawska 2, 02-566 Warsaw, Poland	(12,482,696)	27,677,896	530,024	5,649,632
iSpot Holdings BV (merged with the company)	Strawinskylaan 3127,8 th Floor, 1077 ZX Amsterdam, The Netherlands	-	32,152,729	-	3,519,662
SAD Spa z.o.o	UL. Pulawska 2, 02-566 Warsaw, Poland	195,347	1,220,290	74,384	1,146,615
iSpot Premium Romania	1st District, 246 B Floreasca street, Shopping Centre Promenada, first floor Unit no. 1F-055, Bucharest, Romania	(254,172)	78,740	(317,624)	(471,603)
Hili Logistics Limited	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta	26,255,918	Not applicable	(135,072)	Not applicable

The company also has indirect investments in subsidiaries as follows:

Name of company	Registered office
PTL Limited	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta
APCO Limited	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta
APCO Systems Limited	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta
Eunoia Limited	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta
Poang Limited	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta
Ipsyon Ltd	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta
Carmelo Caruana Company Limited	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta
Carmelo Caruana Freeport Operations Limited	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta
Global Parcels Limited	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta
STS Support Services BVI	Patton, Moreno & Asvat (BVI) Limited, Palm Chambers, 197 Main Street, P.O. Box 3174, Road Town Tortola, British Virgin Islands
Allcom Sp. z o.o.	ul. Mariacka 9, 81-383 Gdynia, Poland

20 Investments accounted for using the equity method

The group's investments accounted for using the equity method comprise:

	The group 2018 €	The group 2017 €
Investment in associates	107,950	133,357
Investment in joint venture	800,439	1,036,122
Total	908,389	1,169,479

20.1 Investment in associates

The group's investment in associate undertakings is analysed below:

	The group 2018 €	The group 2017 €
At 1 January	133,357	383,487
Share of profits and losses	121,593	-
Dividends from associate	(147,000)	-
Recognised upon acquisition of subsidiaries	-	133,357
Disposals	-	(383,487)
At 31 December	107,950	133,357

The group has investment in associates through Hili Logistics Limited as follows:

Name of company	Proportion of ownership interest		Capital and reserves at 31 December		Profit/(loss) for the year ended 31 December	
	2018 %	2017 %	2018 €	2017 €	2018 €	2017 €
CMA CGM Agency Malta Ltd	49	49	220,308	256,352	263,956	178,188
Peterson Malta Limited	50	50	(183,942)	(7,151)	(176,791)	(9,824)

The net accumulated interest in the net assets of CMA CGM Agency Malta Limited and Peterson Malta Limited amount to € 107,950 and € Nil respectively, totaling € 107,950 as at 31 December 2018 (2017: € 125,612 and € 7,745 respectively, totaling € 133,357).

The registered office of the above associates is Nineteen Twenty-Three, Valletta Road, Marsa, Malta.

During 2017, the investment in Smart Technology Limited that was indirectly owned by Harvest Technology Limited was disposed of. The loss on sale of Smart Technology Limited amounted to € 253,438.

20.2 Investment in joint ventures

	The group 2018	The group 2017	The company 2018	The company 2017 (restated)
	€	€	€	€
At 1 January	1,036,122	17,813	682,375	682,375
Acquisitions	-	996,069	-	-
Share of profits and losses	69,714	22,240	-	-
Transfer to investment in subsidiaries	(305,397)	-	-	-
At 31 December	800,439	1,036,122	682,375	682,375

The group has investment in joint ventures through Harvest Technology Limited as follows:

Name of company	Proportion of ownership interest		Capital and reserves at 31 December		Profit/(loss) for the year ended 31 December	
	2018	2017	2018	2017	2018	2017
	%	%	€	€	€	€
Hili Salomone Limited	50	50	(3,200)	(3,200)	-	-
Poang Limited	-	50	-	211,991	-	(189,209)
iCentre Hungary Kft	50	50	745,087	605,659	139,428	233,688

The registered office of Hili Salomone Limited and Poang Limited is Nineteen Twenty-Three, Valletta Road, Marsa, Malta.

On 23 March 2017, Harvest Technology Limited acquired 50% of the share capital of Poang Limited, a company focusing on software application development.

During 2018, Harvest Technology Limited acquired the remaining 50% of the share capital of Poang Limited. As a result, the latter became a fully owned subsidiary of Harvest Technology Limited and the corresponding investment was transferred to investment in subsidiaries.

On 28 December 2017, Alfa Capital BV was liquidated. This company was 100% owned by Hili Salomone Company Limited. The registered office of Alfa Capital B.V. was Schiphol Boulevard 231, 1118 BH, Amsterdam Schiphol, Netherlands.

The investment in joint venture of the company represents the investment in iCentre Hungary Kft resulting from the merger as disclosed in note 3. The company holds 50% directly in iCentre Hungary Kft. The registered office of iCentre Hungary Kft is Bécsi út 77-79, 1036 Budapest, Hungary.

Summarised financial information in respect of joint ventures is set out below:

	The group 2018 €	The group 2017 €
Carrying asset amount	800,439	1,036,122
Group's share of total profit / total comprehensive income	69,714	116,844
Group's share of total expense / total comprehensive loss	-	(94,604)

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Included in the investment in joint ventures, is an investment of € 800,439 (2017: € 730,725) pertaining to the investment in iCentre Hungary Kft. A summary of the financial information of this joint venture is set out below:

	The group 2018 €	The group 2017 €
Current assets	2,751,041	2,276,930
Non-current assets	635,764	805,810
Current liabilities	(2,641,718)	(2,477,081)
Net assets	745,087	605,659
Revenue	12,316,075	12,188,844
Expenses	(12,117,234)	(11,944,038)
Profit for the year (net of tax)	139,428	233,688
Group's share of total profit / total comprehensive income	69,714	116,844

The group's share of total expense / total comprehensive loss At 31 December 2018 amounted to € nil. At 31 December 2017, the group's share of total expense / total comprehensive loss amounted to € 94,604 arising entirely from the results of Poang Limited.

21 Other investment

	The group 2018 €	The group 2017 €
As at 1 January	50,000	-
Addition	-	50,000
As at 31 December	50,000	50,000

During 2017, an indirect investment of € 50,000 has been made in Thought3D Ltd through Harvest Technology Limited, corresponding to 4% of this investment's share capital.

22 Loans and receivables

	The group 2018	The group 2017	The company 2018	The company 2017 (restated)
	€	€	€	€
Loans receivable from ultimate parent	7,729,047	6,956,490	-	-
Loans receivable from subsidiaries	-	-	38,391,285	13,650,478
Loans receivable from other related parties	226,327	181,998	110,134	266,265
Loan receivable from associate	73,500	-	-	-
Other receivables	1,533,882	70,000	-	-
	9,562,756	7,208,488	38,501,419	13,916,743
Comprising:				
Non-current				
Loans receivable from ultimate parent	6,809,189	6,306,110	-	-
Loans receivable from subsidiaries	-	-	34,791,285	5,261,414
Loans receivable from other related parties	180,133	100,000	110,134	266,232
Other receivables	1,533,882	70,000	-	-
	8,523,204	6,476,110	34,901,419	5,527,646
Current				
Loans receivable from ultimate parent	919,858	650,380	-	-
Loans receivable from subsidiaries	-	-	3,600,000	8,389,026
Loans receivable from other related parties	46,194	81,998	-	71
Loan receivable from associate	73,500	-	-	-
	1,039,552	732,378	3,600,000	8,389,097

23 Inventories

	The group 2018	The group 2017	The company 2018	The company 2017
	€	€	€	€
Raw materials and consumables	-	1,782	-	-
Finished goods and goods held for resale	15,840,850	12,407,437	-	-
	15,840,850	12,409,219	-	-

The amount of inventories recognised as an expense during the year amounted to € 82,473,266 (2017: € 71,822,675).

Write-downs of inventories recognised in the statement of profit or loss and other comprehensive income during the year amounted to € 21,805 (2017: € 77,990) and are included with cost of sales.

24 Other assets

	The group 2018 €	The group 2017 €	The company 2018 €	The company 2017 €
Assets recognised from costs to fulfil contracts	197,698	-	-	-
Prepayments	1,414,742	1,033,884	53,189	-
	1,612,440	1,033,884	53,189	-

The group has recognised assets in relation to costs incurred in its rendering of services and maintenance and support that is used to fulfil these contracts. The asset is amortised over the term of the specific contract it relates to, consistent with the pattern of recognition of the associated revenue. Management expects the costs to be completely recovered in the next 12 months.

25 Trade and other receivables

Trade and other receivables consist of the following:

	The group 2018 €	The group 2017 €	The company 2018 €	The company 2017 €
Trade receivables – gross	8,600,934	7,920,841	-	-
Provision for impairment	(882,131)	(648,626)	-	-
Trade receivables – net	7,718,803	7,272,215	-	-
Amount owed by ultimate parent	1,108,216	2,011,817	16,960	37,540
Amounts owed by associates	412,955	396,753	-	-
Amounts owed by related parties	1,756,108	1,481,772	150,399	256,892
Other receivables	81,822	2,074,419	19,148	7,057
Accrued income	121,464	1,276,673	-	-
Financial assets	11,199,368	14,513,649	186,507	301,489
Other receivables	1,428,191	122,271	223,303	-
Trade and other receivables – current	12,627,559	14,635,920	409,810	301,489

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

No interest is charged on trade and other receivables.

Trade and other receivables are stated net of an allowance for estimated irrecoverable amounts from trade receivables amounting to € 882,131 (2017: € 648,626). Movements in provisions for bad and doubtful receivables are included with administrative expenses amounting to € 233,505 (2017: € (8,331)).

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

Note 42.2 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses. The above comparative for impairment provisions refers to the IAS 39 measurement basis which applied an incurred loss model, whereas the current year applies IFRS 9 which is an expected loss model.

26 Cash and cash equivalents

Cash and cash equivalents include the following component:

	The group 2018	The group 2017	The company 2018	The company 2017 (restated)
	€	€	€	€
Cash and bank balances	3,604,370	3,231,078	1,366,403	200,472
Cash and cash equivalents in the statements of financial position	3,604,370	3,231,078	1,366,403	200,472
Bank overdrafts	(3,334,561)	(1,122,195)	-	-
Cash and cash equivalents in the statements of cash flows	269,809	2,108,883	1,366,403	200,472

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

27 Share capital

The share capital of 1923 Investments p.l.c. consists only of ordinary shares with a par value of € 1. All shares are equally eligible to receive dividends and repayment of capital and represent one vote at the shareholders' meeting of the company.

	2018 €	2017 €
Shares issued and fully paid at 31 December		
49,575,000 (2017: 35,575,000) ordinary shares of € 1 each	49,575,000	35,575,000
Shares authorised at 31 December		
70,000,000 (2017: 36,000,000) ordinary shares of € 1 each	70,000,000	36,000,000

During April 2017, the company increased its issued and called up share capital from € 8,399,724 to € 10,000,000, through the capitalisation of shareholder loans amounting to € 1,600,276 and the issuance of 1,600,276 ordinary shares with a nominal value of € 1 per share.

During December 2017, the Company resolved, through an extraordinary resolution dated 7 December 2017, to increase the authorised share capital from 10,000,000 ordinary shares of € 1 each to 36,000,000 ordinary shares of € 1 each.

Subsequently during December 2017, the company acquired Hili Logistics Limited from Hili Ventures Limited, at a consideration price of € 25,575,000. The consideration was settled in full through the capitalisation of a shareholder loan amounting to € 25,575,000 and the issuance and allotment of 25,575,000 ordinary shares with a nominal value of € 1 per share to Hili Ventures Limited.

During August 2018, it was agreed to increase the authorised share capital of the company from 36,000,000 ordinary shares of € 1 each to 70,000,000 ordinary shares of one euro € 1 each. It was also agreed to increase the issued share capital of the company from 35,575,000 ordinary shares of € 1 each to 49,575,000 ordinary shares of € 1 each. The issue of the share capital of 14,000,000 ordinary shares of € 1 each was allotted in favour of Hili Ventures Limited, having Company Registration Number C57902, of Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000, Malta, for a cash consideration of the same amount.

28 Other equity

	The group 2018 €	The group 2017 €	The company 2018 €	The company 2017 €
Other equity	<u>4,741,736</u>	<u>4,765,472</u>	<u>154,629</u>	<u>130,893</u>

On 30 December 2013, the company, through its direct subsidiary, Harvest Technology Limited, acquired 100% interest in PTL Limited, 50% interest in Hili Salomone Company Limited and 33% interest in Smart Technologies Limited from a related party, Hili Company Limited. Both Hili Company Limited and 1923 Investments p.l.c. have the same parent company, Hili Ventures Limited.

The acquisition of the subsidiary, PTL Limited, and its underlying subsidiaries by the company falls outside the scope of International Financial Reporting Standard 3 – Business Combinations (“IFRS 3”) because the transaction merely represents a group reorganisation and because in terms of paragraph 2(c) of IFRS 3, the acquisition of these entities by the company is a combination of businesses under common control in which all the combining entities are ultimately controlled by the same party, Hili Ventures Limited, both before and after the business combination and that control is not transitory.

The difference of € 1,367,314 between consideration for the acquired entities of € 3,551,791 and the amounts at which the assets and liabilities of the acquired entities were recognised of € 2,184,477 are included in equity in terms of predecessor accounting.

On 22 December 2016, Harvest Technology Limited Limited eliminated € 1,754,051 of its accumulated losses through a reduction of its share premium account of the same amount. At consolidated level, this is included in equity.

During 2017, the interest in Smart Technologies Limited was disposed of by the group and an amount of € 300,000 previously recognized in other equity was eliminated.

On 2 December 2017, Hili Logistics Limited eliminated € 2,075,000 of its accumulated losses through a reduction of its share premium account of the same amount. At consolidation level, this is included in equity.

During 2018, the group and the company recognised an amount of € 23,736 with other equity representing the value of services provided by an officer of the group (2017: € 130,893).

29 Exchange reserve

The group’s foreign operations expose the group to exchange movements in other comprehensive income.

30 Debt securities in issue

	The group 2018 €	The group 2017 €	The company 2018 €	The company 2017 €
5.1% unsecured bonds redeemable 2024	35,515,557	35,434,649	35,515,557	35,434,649
	35,515,557	35,434,649	35,515,557	35,434,649

In December 2014, the company issued 360,000 5.1% unsecured bonds of a nominal value of € 100 per bond. The bonds are redeemable at their nominal value on 4 December 2024.

Interest on the bonds is due and payable annually on 4 December of each year.

The bonds are listed on the Official List of the Malta Stock Exchange. The carrying amount of the bonds is net of direct issue costs of € 484,443 (2017: € 565,351) which are being amortised over the life of the bonds. The market value of debt securities on the last trading day before the statement of financial position date was € 37,440,000 (2017: € 37,267,200).

31 Borrowings

	The group 2018 €	The group 2017 €	The company 2018 €	The company 2017 €
Bank overdrafts	3,334,561	1,122,195	-	-
Bank loans	300,000	10,642,763	-	-
	3,634,561	11,764,958	-	-
Comprising:				
Non-current liabilities				
Bank loans	100,000	5,755,339	-	-
	100,000	5,755,339	-	-
Current liabilities				
Bank overdrafts	3,334,561	1,122,195	-	-
Bank loans	200,000	4,887,424	-	-
	3,534,561	6,009,619	-	-

As at 31 December 2017, Allcom Sp, z o.o., a subsidiary owned by Hili Logistics Limited, was in breach of bank covenants in respect of the loan for the total amount of € 2,797,158. The breach occurred because of corporate restructuring and not because of performance or failure in honouring debt service commitments. Therefore, this loan was classified as payable on demand at 31 December 2017. However, subsequent to the reporting period ending 31 December 2017, Allcom Sp, z o.o. received waiver letter from the bank confirming that the bank will not demand the early repayment of this loan.

During 2018, 1923 Investments p.l.c. advanced a total of € 9,600,000 to subsidiaries within the group to settle all outstanding loans with banking institutions. During 2018, the group entered into a new loan amounting to € 300,000 to finance operations within the Harvest Technology division.

Bank overdrafts and loans are repayable as follows:

	The group 2018 €	The group 2017 €	The company 2018 €	The company 2017 €
On demand or within one year	3,534,561	6,009,619	-	-
In the second year	100,000	1,628,123	-	-
In the third year	-	3,853,835	-	-
In the fourth year	-	135,503	-	-
In the fifth year	-	137,878	-	-
	3,634,561	11,764,958	-	-

The group's bank loans and overdraft facilities bear effective interest at a floating rate of 5.39% (2017: 5.57%) p.a. The bank overdrafts are secured by first general hypothecs over the assets of the PTL Limited, Carmelo Caruana Company Limited and iSpot Poland SP Z o.o. The bank loan at 31 December 2018 is secured by a general hypothec for € 300,000 over the assets of Ipsyon Limited and an assignment of royalties receivable.

In 2017, bank loans comprised of a bank loan taken by iSpot Poland SP. Z O.O. for the acquisition of the investment in SAD SP. Z O.O. This loan had an effective interest rate of 3 month WIBOR plus 3.5% margin. The facility was secured by a pledge and financial pledge on the shares of SAD SP. Z O.O. This Registered pledge on shares was established for maximum security of € 18,000,000. This pledge is due to released in 2019 as all bank loans have been settled by 31 December 2018. In addition, the group has a registered pledge on assets and rights belonging to SAD SP. z O.O. amounting to PLN78,750,000 (2017: PLN52,500,000).

32 Trade and other payables

	The group 2018 €	The group 2017 €	The company 2018 €	The company 2017 (restated) €
Trade payables	18,056,704	16,587,422	136,804	57,998
Amounts payable to ultimate parent	-	85,727	-	-
Amounts payable to related parties	54,158	-	208,304	-
Other payables	1,439,337	1,234,182	181,891	38,422
Accrued expenses	2,202,913	4,669,601	190,202	539,533
Financial liabilities	21,753,112	22,576,932	717,201	635,953
Other creditors	3,446,515	3,201,763	-	-
Deferred income	2,283,840	1,434,592	-	-
Trade and other payables	27,483,467	27,213,287	717,201	635,953
Comprising:				
Long term payables				
Trade and other payables	831,208	1,076,391	-	-
	831,208	1,076,391	-	-
Current payables				
Trade and other payables	26,652,259	26,136,896	717,201	635,953
	26,652,259	26,136,896	717,201	635,953

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

No interest is charged on trade and other payables.

33 Contract liabilities

	The group 2018 €	The group 2017 €
Deferred service income on rendering of services and development	85,161	-
Deferred service income on maintenance, support and servicing	1,369,088	-
Deferred service income on other gateway income and access fees	114,070	-
Deferred service income on licences	23,462	-
	<u>1,591,781</u>	<u>-</u>

Deferred service income represent customer payments received or due in advance of performance (contract liabilities) that are expected to be recognised as revenue in 2019. As described in note 5.11, maintenance, servicing and support contracts are entered into for periods between 1 and 3 years. On the other hand, consultancy and development of IT systems are usually completed within 12 months. Nevertheless, the company may occasionally have projects for consultancy and development of IT systems that span over more than 12 months. Contracts for the latter revenue source are however expected to be completed within 2019.

The group also enters into transactions with parties for the access to a payment gateway. The group's revenue is mainly derived from the actual volume of traffic on the payment gateway and on other fixed charges. Such services are rendered and recognised in the same month when the income arises. Any deferred service income occurring in one month is immediately recognised as revenue in the following month.

Deferred service income on licences is expected to be recognised as revenue in 2019.

The amounts recognised as a contract liability will generally be utilised within the next reporting period.

With the exception of an amount of € 445,234 in deferred service income on maintenance and support still not yet recognised as revenue at 31 December 2018 and included with the balance of deferred income at 31 December 2017, the remaining deferred service income at the end of the previous reporting period was recognised as revenue during the current year.

34 Other financial liabilities

	The group 2018 €	The group 2017 €	The company 2018 €	The company 2017 (restated) €
Amounts owed to parent	6,146,577	2,203,157	3,800,000	33,897
Amounts owed to joint venture	159,389	361,468	155,717	-
Amounts owed to related parties	343,765	221,226	-	151,812
Amounts owed to subsidiaries	-	-	16,312,583	4,394,120
Amounts owed to associates	-	12,790	-	-
Amounts owed to a shareholder	-	2,581	-	-
Amounts owed to a third party	6,000,000	6,000,000	-	-
	<u>12,649,731</u>	<u>8,801,222</u>	<u>20,268,300</u>	<u>4,579,829</u>
Comprising:				
Long term liabilities				
Other financial liabilities	12,299,722	8,395,800	19,176,666	3,955,537
	<u>12,299,722</u>	<u>8,395,800</u>	<u>19,176,666</u>	<u>3,955,537</u>
Current liabilities				
Other financial liabilities	350,009	405,422	1,091,634	624,292
	<u>350,009</u>	<u>405,422</u>	<u>1,091,634</u>	<u>624,292</u>

The terms and conditions of amounts owed to the parent and other related parties are disclosed in note 39.

35 Deferred tax assets

Deferred tax arising from temporary differences are summarised as follows:

The group	1 Jan 2018 €	Recognised in profit and loss €	31 Dec 2018 €
Deferred tax assets arising on:			
Property, plant and equipment	332,722	(43,490)	289,232
Unabsorbed capital allowances	22,686	42,882	65,568
Unabsorbed tax losses	-	308,457	308,457
Provisions	389,658	186,937	576,595
Other temporary differences	355,844	(49,822)	306,022
Total	1,100,910	444,964	1,545,874
Deferred tax liabilities arising on:			
Intangible assets	(291,452)	18,380	(273,072)
Property, plant and equipment	(558,230)	187,633	(370,597)
Other temporary differences	(159,385)	(392,750)	(552,135)
Total	(1,009,067)	(186,737)	(1,195,804)

Deferred taxes for the comparative period 2017 can be summarised as follows:

The group	1 Jan 2017 €	Recognised in profit and loss €	31 Dec 2017 €
Deferred tax assets arising on:			
Property, plant and equipment	1,607	331,115	332,722
Unabsorbed capital allowances	21,995	691	22,686
Unabsorbed tax losses	99,004	(99,004)	-
Provisions	284,683	104,975	389,658
Other temporary differences	422,119	(55,462)	366,657
Total	829,408	282,315	1,111,723
Recognised on acquisition (note 38)	-	-	(10,813)
	829,408	282,315	1,100,910
Deferred tax liabilities arising on:			
Intangible assets	(309,072)	17,620	(291,452)
Property, plant and equipment	-	(558,230)	(558,230)
Other temporary differences	(341,426)	182,041	(159,385)
Total	(650,498)	(358,569)	(1,009,067)

See note 14 for information on the company's tax expense.

The group

The aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised, amounts to € Nil (2017: € 8,459,147).

36 Cash flow adjustments and changes in working capital

The following non-cash flow adjustments and adjustments for changes in working capital have been made to profit before tax to arrive at operating cash flow:

	The group 2018	The group 2017	The company 2018	The company 2017 (restated)
	€	€	€	€
Adjustments:				
Depreciation and amortisation	2,462,663	1,794,763	1,000	-
Exchange differences	166,031	(117,840)	-	-
Bad debts written off	34,414	160,194	-	-
Goodwill written off	-	31,726	-	-
Negative goodwill written off	-	(218,957)	-	-
Impairment losses on intangible assets	-	86,556	-	-
Bond amortisation costs	80,907	80,907	80,907	80,907
Movement in provision for doubtful debts	233,505	(8,331)	-	-
Other interest income	(17,718)	(87,399)	-	-
Related party interest income	(184,614)	(95,514)	-	-
Share of profit of associated undertakings	(121,593)	-	-	-
Loss on disposal of associate	-	253,438	-	-
Loss on disposal of intangibles and PPE	29,299	206,469	-	-
Share of profits in joint ventures	(69,714)	(22,240)	-	-
Provision for losses on joint ventures	-	211,585	-	-
Value of services provided by an officer of the group	38,441	160,303	-	-
Stock written off provisions	51,698	172,550	-	-
Interest payable	2,659,258	2,620,461	2,401,590	2,061,192
Dividends receivable	-	-	(4,200,401)	(4,966,006)
Interest income	-	-	(782,805)	(260,344)
	5,362,577	5,228,671	(2,499,709)	(3,084,251)
Working capital:				
Change in inventories	(3,483,329)	(3,333,634)	-	-
Change in trade and other receivables	(1,338,922)	(13,468)	(162,699)	695,063
Change in trade and other payables	1,906,722	1,348,117	80,461	158,801
	(2,915,529)	(1,998,985)	(82,238)	853,864

37 Reconciliation of liabilities arising from financing activities

The table below details changes in the company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Statement of Cash Flows as cash from financing activities.

	Notes	Balance at 31 December 2017 €	Cash flows €	Other non- cash changes €	Balance at 31 December 2018 €
Bank loans	31	10,642,763	(10,342,763)	-	300,000
Amounts owed to a third party	34	6,000,000	-	-	6,000,000
		16,642,763	(10,342,763)	-	6,300,000

The table below details changes in the company's liabilities arising from financing activities for the preceding accounting period:

	Notes	Balance at 31 December 2016 €	Cash flows €	Other non- cash changes €	Balance at 31 December 2017 €
Bank loans	31	7,644,722	(1,336,036)	4,334,077	10,642,763
Amounts owed to a third party	34	-	6,000,000	-	6,000,000
		7,644,722	4,663,964	4,334,077	16,642,763

The significant non-cash movements on bank loans in 2017 of € 4,334,077 include an amount of € 3,977,115 in loans acquired through a business combination as disclosed in note 38.

38 Business combinations

On 18 December 2017, the group acquired 99.99% interest in Hili Logistics Limited, a company registered in Malta, which principal activity is operating in logistics. The 2017 consolidated financial statements do not include the results of the subsidiary from the date of acquisition.

No acquisition costs were incurred in this acquisition.

The fair value of identifiable assets acquired and liabilities assumed at the date of acquisition of Hili Logistics Limited was:

	€
Goodwill	25,674,835
Cash and cash equivalents	1,200,069
Bank overdrafts	(453,034)
Bank loans	(3,977,115)
Inventories	1,966
Other financial liabilities	(281,855)
Loans and receivables	761,319
Property, plant and equipment	2,458,099
Intangible assets	878
Trade and other receivables	5,513,334
Other non-current assets	133,357
Trade and other payables	(5,227,083)
Tax liabilities	(10,813)
Fair value of assets and liabilities acquired	<u>25,793,957</u>
Goodwill arising on acquisition:	
Fair value of identifiable assets and liabilities acquired	25,793,957
Consideration transferred	25,575,000
Negative goodwill written off to statement of profit or loss	<u>(218,957)</u>

Had the acquisition of the subsidiary been effected on 1 January 2017, the revenue of the group would have increased by € 22.7 million while loss before tax would have increased by € 1.1 million. The directors consider these numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

39 Related party transactions

1923 Investments p.l.c. is the parent company of the subsidiary undertakings highlighted in note 19. The parent company of 1923 Investments p.l.c. is Hili Ventures Limited which is incorporated in Malta. The registered office of Hili Ventures Limited, being the undertaking which draws up the consolidated financial statements of the smallest body of undertakings of which 1923 Investments p.l.c. forms part as a subsidiary undertaking, is Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000, Malta, from where the above consolidated financial statements may be obtained.

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

The group	2018			2017		
	Related party activity €	Total Activity €	%	Related party activity €	Total Activity €	%
Revenue:						
Related party transactions with:						
Ultimate parent company	120,682					
Other related parties	625,048			1,093,194		
	<u>745,730</u>	<u>122,022,751</u>	<u>1</u>	<u>1,093,194</u>	<u>97,535,475</u>	<u>1</u>
Cost of sales:						
Related party transactions with:						
Ultimate parent company	55,848			-		
Other related parties	51,468			26,527		
	<u>107,316</u>	<u>109,380,754</u>	<u>-</u>	<u>26,527</u>	<u>89,280,698</u>	<u>-</u>
Administrative expenses:						
Related party transactions with:						
Ultimate parent company	870,283			10,415		
Other related parties	438,530			297,254		
	<u>1,308,813</u>	<u>12,338,226</u>	<u>11</u>	<u>307,669</u>	<u>6,127,004</u>	<u>5</u>
Investment income:						
Related party transactions with:						
Parent company	151,587			95,514		
Other related parties	33,027			326,071		
	<u>184,614</u>	<u>202,332</u>	<u>91</u>	<u>421,585</u>	<u>508,984</u>	<u>83</u>
Finance cost:						
Related party transactions with:						
Parent company	89,759			45,129		
	<u>89,759</u>	<u>2,740,165</u>	<u>3</u>	<u>45,129</u>	<u>2,701,368</u>	<u>2</u>
Other operating income:						
Related party transactions with:						
Ultimate parent company						
Other related parties	874,320			-		
	<u>874,320</u>	<u>978,014</u>	<u>89</u>	<u>-</u>	<u>10,686</u>	<u>-</u>

The company	2018			2017 (restated)		
	Related party activity €	Total Activity €	%	Related party activity €	Total Activity €	%
Revenue:						
Related party transactions with:						
Other related parties	1,080,000			420,000		
	<u>1,080,000</u>	<u>1,080,000</u>	<u>100</u>	<u>420,000</u>	<u>420,000</u>	<u>100</u>
Investment income:						
Related party transactions with:						
Subsidiaries	764,598			260,344		
Other related parties	489			-		
Subsidiaries (dividends)	4,200,401			4,966,006		
	<u>4,965,488</u>	<u>4,983,206</u>	<u>99</u>	<u>5,226,350</u>	<u>5,226,350</u>	<u>100</u>

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

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

The share of profit/loss on associate and joint ventures is disclosed in note 20. Key management personnel compensation is disclosed in note 12. Dividend income is disclosed in note 9.

The amounts due to/from other related parties at period-end are disclosed in notes 22, 25, 32 and 34. The terms and conditions in respect of the related party balances do not specify the nature of the consideration to be provided in settlement. No guarantees have been given or received.

The amounts owed to the group by other related parties as disclosed in note 22 are unsecured, bear interest at 4.5% (2017: 4.5%). The amounts due in note 25 are unsecured, interest free and repayable on demand.

The group's other financial liabilities disclosed in note 34 are unsecured, and € 2,343,660 (2017: € 2,798,641) bear interest at 4.5% (2017: 4.5%) with the remaining balance being interest-free. Although these amounts have no fixed date for repayment, they are expected to be settled within twelve months after the end of the reporting period. Amounts disclosed for the company in year at 31 December 2018 and 2017, were unsecured, bear interest at 4.5% and are repayable by 31 December 2020.

As disclosed in notes 19 and 20, the company through its direct subsidiaries acquired a number of subsidiaries, associates and joint ventures. Contingent liabilities and guarantees are disclosed in note 31 and 41 respectively.

The directors consider the ultimate controlling party to be Carmelo Hili, who during 2016 became the indirect owner of more than 50% of the issued share capital of Hili Ventures Limited.

The movement in share capital is disclosed in note 27.

40 Operating leases

	The group 2018 €	The group 2017 €
Minimum lease payments recognised as an expense for the year	3,738,681	3,288,246
Contingent rent	-	93,840
	3,738,681	3,382,086

The group is part to several operating lease agreements for the lease of premises in various shopping malls from which they operate a number of outlets selling Apple products in Poland. The group also leases certain properties whereby it is committed to pay monthly payments to lessors based in the sale of each particular shop.

At the end of the reporting period, the group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	The group 2018 €	The group 2017 €
Within one year	3,301,958	3,166,368
Between two and five years	8,525,591	6,872,572
More than five years	2,615,746	834,054
	14,443,295	10,872,994

41 Contingent liabilities

At the end of the reporting period, one of the group's subsidiaries under the Harvest Technology division had issued guarantees amounting to € 600,000 (2017: € 700,000) in relation to bank facilities granted to related undertakings. The same subsidiary also had guarantees amounting to € 504,000 (2017: € 1,267,700) granted to third parties as collateral for liabilities.

One of the group's subsidiaries under the Apple retail business division in Poland signed an agreement with HSBC Bank on line guarantees and letters of credit in the amount of € 18,307,993 (2017: € 13,666,115).

At the end of the reporting period, one of the group's subsidiaries under the Hili Logistics division, together with other related parties provided guarantees in relation to bank facilities granted to related undertakings. In the directors' opinion no provision is required against such amounts as the principal borrowers are either not expected to default or such facilities are secured by property, plant and equipment or other guarantors.

In 2016, a claim was made against one of the group's subsidiaries by a third party for compensation due to injuries incurred during the discharge of his duties. The estimated value of the claim amounted to € 112,549. No provision is being made by the subsidiary as the Directors are confident of a positive outcome. There were no further developments on this claim in 2017 and 2018.

At 31 December 2018 the group had an overdraft facility through Allcom, one of its subsidiaries in Poland, as disclosed in note 31 which was secured on the perpetual usufruct of land and buildings in Bolszewo for a total of PLN 2,680,000 (€ 623,053).

Allcom has also provided a guarantee for a total of € 1,394,895 (2017: € 1,428,857) to the customs office in Poland, through a financial institution in the same country, to secure customs payments realised on behalf of its clients. The total utilisation of the guarantee as at the end of the reporting period was €Nil.

At 31 December 2018, the company has a guarantee issued in favour of a subsidiary undertaking amounting to € 1,857,000 for the performance of contracts by the subsidiary undertaking to third party customers.

42 Financial instrument risk

Risk management objectives and policies

The group is exposed to various risks in relation to financial instruments. The group's financial assets and liabilities by category are summarised in note 42.4. The main types of risks are market risk, credit risk and liquidity risk.

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

The objectives, policies and processes for managing financial risks and the methods used to measure such risks are subject to continual improvement and development. Where applicable, any significant changes in the group's exposure to financial risks or the manner in which the group manages and measures these risks are disclosed below.

Where possible, the group aims to reduce and control risk concentrations. Concentration of financial risk areas when financial instruments with similar characteristics are influenced in the same way by changes in economic or other factors. The amount of the risk exposure associated with financial instruments sharing similar characteristics is disclosed in more detail in the notes to the financial statements.

The group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the group is exposed are described below.

42.1 Market risk analysis

Foreign currency risk

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

The risk arising from foreign currency transactions is managed by regular monitoring of the relevant exchange rates and management's reaction to material movements thereto.

Interest rate risk

The group and the company have debt securities in issue with a fixed coupon as disclosed in note 30, loans and receivables with a fixed coupon as disclosed in note 22 and 39, and cash at bank with a floating coupon as disclosed in note 26. The group has taken out interest bearing facilities as disclosed in notes 31 and 34. The interest rates thereon and the terms of such borrowings are disclosed accordingly. The group also has loans and receivables and cash at bank with interest rates as disclosed in notes 22, 26 and 39.

The company and the group are exposed to cash flow interest rate risk on borrowings and debt instruments carrying a floating interest.

Management monitors the movement in interest rates and, where possible, reacts to material movements in such rates by adjusting its selling prices or by restructuring its financing structure.

The carrying amounts of the group's and company's financial instruments carrying a rate of interest at the end of the reporting period are disclosed in the notes to the financial statements.

42.2 Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the group. The group is exposed to credit risk from financial assets including cash and cash equivalents held at banks, trade and other receivables. The group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

	Notes	The group 2018	The group 2017	The company 2018	The company 2017 (restated)
		€	€	€	€
Classes of financial assets - carrying amounts:					
Loans and receivables	22	9,562,756	7,208,488	38,501,419	13,916,743
Trade and other receivables	25	11,199,368	14,513,649	186,507	301,489
Cash and cash equivalents	26	3,604,370	3,231,078	1,366,403	200,472
		24,366,494	24,953,215	40,054,329	14,418,704

Credit risk management

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

Loans and receivables and certain trade receivables comprise amounts due from related parties. The group and company's concentration to credit risk arising from these receivables are considered limited as there were no indications that these counterparties are unable to meet their obligations. Management considers these to be of good credit quality. Management does not consider loans and receivables to have deteriorated in credit quality and the effect of management's estimate of the 12-month credit loss has been determined to be insignificant to the results of the group and the company.

The group and the company hold money exclusively with institutions having high quality external credit ratings. The cash and cash equivalents held with such banks at 31 December 2018 and 2017 are callable on demand. The banks with whom cash and cash equivalents are held form part of an international group with an A credit rating by Standard and Poor's and similar high ratings by other agencies. The group also holds cash with a local bank having a credit rating of BBB by Standard and Poor's. Cash held by the group with other local banks for which no credit rating is available are not significant. Management considers the probability of default from such banks to be close to zero and the amount calculated using the 12-month expected credit loss model to be very insignificant. Therefore, based on the above, no loss allowance has been recognised by the group and the company.

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

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

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

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

Trade receivables consist of a large number of customers in various industries and mainly in two geographical areas, namely in Malta and Poland.

Security

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the group's and the company's maximum exposure to credit risk, without taking account of the value of the collateral obtained. Guarantees are disclosed in notes 31 and 41.

In addition, the group does not hold collateral relating to other financial assets (eg derivative assets, cash and cash equivalents held with banks).

Trade receivables

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

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

The expected loss rates are based on the payment profile for sales over the past 36 months before 31 December 2018 and 1 January respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forward looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. The group has identified gross domestic product (GDP) and unemployment rates of the countries in which the customers are domiciled to be the most relevant factors and accordingly adjusts historical loss rates for expected changes in these factors. However given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

Trade receivables are written off (ie derecognised) when there is no reasonable expectation of recovery. Failure to make payments within 365 days from the invoice date and failure to engage with the group on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery.

On the above basis the expected credit loss for trade receivables as at 31 December 2018 and 1 January 2018 was determined as follows:

31 December 2018	Current	More than 30 days	More than 60 days	More than 90 days	Total
Expected credit loss rate (%)	0.5 %	2.3 %	5.9 %	38.4 %	-
Gross carrying amount (€)	4,671,276	1,423,772	413,899	2,091,987	8,600,934
Lifetime expected credit loss	21,025	32,556	24,393	804,157	882,131

1 January 2018	Current	More than 30 days	More than 60 days	More than 90 days	Total
Expected credit loss rate (%)	0.4 %	1.7 %	6.9 %	44.9 %	-
Gross carrying amount (€)	4,510,835	1,591,955	555,496	1,262,555	7,920,841
Lifetime expected credit loss	16,407	27,135	38,694	566,389	648,625

Changes in expected credit loss rates between reporting periods is attributable to change in circumstances, past ageing information and revised history of loss occurrences. The group however experiences very low levels of actual impairments arising from non-performing trade receivables and consequently management considers the lifetime expected credit losses to be adequate to the business of the group.

The closing balance of the of the trade receivables loss allowance as at 31 December 2018 reconciles with the trade receivables loss allowance opening balance as follows:

	The group 2018 €	The group 2017 €
Opening loss allowance as at 1 January (under IAS 39 and IFRS 9)	648,626	656,957
Loss allowance recognised (released) during the year	233,505	(8,331)
Loss allowance as at 31 December	882,131	648,626

42.3 Liquidity risk

The group and company's exposure to liquidity risk arises from its obligations to meet its financial liabilities, which comprise debt securities in issue, borrowings, trade and other payables and other financial liabilities (see notes 30, 31, 32 and 34). Prudent liquidity risk management includes maintaining sufficient cash to ensure the availability of an adequate amount of funding to meet the group's and company's obligations when they become due.

Liquidity risk is that the group and the company might be unable to meet its obligations. The group and the company manage their liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. The data used for analysing these cash flows is consistent with that used in the contractual maturity analysis below. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows that available borrowing facilities are expected to be sufficient over the lookout period.

The group and company's objective is to maintain cash to meet their liquidity requirements for 30-day periods at a minimum. This objective was met for the reporting period. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

The following maturity analysis for financial liabilities shows the remaining contractual maturities using the contractual undiscounted cash flows on the basis of the earliest date on which the group and the company can be required to pay. The analysis includes both interest and principal cash flows:

The group

31 December 2018	On demand or within 1 year	1 - 2 years	2 - 5 years	More than 5 years	Total
Non-derivative financial liabilities					
Non-interest bearing	26,652,259	6,831,208	-	-	33,483,467
Fixed rate instruments	2,386,009	8,235,722	5,508,000	37,836,000	53,965,731
Variable-rate instruments	3,334,561	-	-	-	3,334,561
	32,372,829	15,066,930	5,508,000	37,836,000	90,783,759

This compares to the maturity of the group's non-derivative financial liabilities in the previous reporting periods as follows:

31 December 2017	On demand or within 1 year	1 - 2 years	2 - 5 years	More than 5 years	Total
Non-derivative financial liabilities					
Non-interest bearing	26,542,318	7,076,391	-	-	33,618,709
Fixed rate instruments	2,958,195	10,231,800	5,508,000	39,672,000	58,369,995
Variable-rate instruments	5,274,784	2,399,842	4,162,047	-	11,836,673
	34,775,297	19,708,033	9,670,047	39,672,000	103,825,377

The company

31 December 2018	On demand or within 1 year	1 - 2 years	2 - 5 years	More than 5 years	Total
Non-derivative financial liabilities					
Non-interest bearing	717,201	-	-	-	717,201
Fixed rate instruments	2,927,634	1,836,000	5,508,000	57,012,666	67,284,300
	3,644,835	1,836,000	5,508,000	57,012,666	68,001,501

31 December 2017 (restated)	On demand or within 1 year	1 - 2 years	2 - 5 years	More than 5 years	Total
Non-derivative financial liabilities					
Non-interest bearing	635,953	-	-	-	635,953
Fixed rate instruments	2,460,292	1,836,000	5,508,000	43,627,537	53,431,829
	3,096,245	1,836,000	5,508,000	43,627,537	54,067,782

42.4 Summary of financial assets and liabilities by category

The carrying amounts of the group's financial assets and liabilities as recognised at the end of the reporting period may also be categorised as follows. See note 5.22 for explanations about how the category of financial instruments affects their subsequent measurement.

	The group 2018	The group 2017	The company 2018	The company 2017 (restated)
	€	€	€	€
Non-current assets				
Loans and receivables	8,523,204	6,476,110	34,901,419	5,527,646
Current assets				
Loans and receivables	1,039,552	732,378	3,600,000	8,389,097
Trade and other receivables	11,199,368	14,513,649	186,507	301,489
Cash and cash equivalents	3,604,370	3,231,078	1,366,403	200,472
	15,843,290	18,477,105	5,152,910	8,891,058
Non-current liabilities				
Debt securities in issue	35,515,557	35,434,649	35,515,557	35,434,649
Borrowings	100,000	5,755,339	-	-
Trade and other payables	831,208	1,076,391	-	-
Other financial liabilities	12,299,722	8,395,800	19,176,666	3,955,537
	48,746,487	50,662,179	54,692,223	39,390,186
Current liabilities				
Financial liabilities measured at amortised cost:				
Borrowings	3,534,561	6,009,619	-	-
Trade and other payables	21,753,112	22,576,932	717,201	635,953
Other financial liabilities	350,009	405,422	1,091,634	624,292
	25,637,682	28,991,973	1,808,835	1,260,245

42.5 Financial instruments measured at fair value

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

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

At 31 December 2018 and 2017, except for debt securities in issue as disclosed in note 30, the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively approximated their fair values due to the short-term maturities of these assets and liabilities.

The fair values of the debt securities in issue is as disclosed in note 30. The fair values of other non-current financial liabilities and the non-current loans and receivables are not materially different from their carrying amounts due to the fact that the interest rates are considered to represent market rates at the year-end or because they are repayable on demand. The fair values of the financial assets and financial liabilities included in the level 2 category above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

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

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

The following table provides an analysis of financial instruments that are not measured subsequent to initial recognition at fair value, other than those with carrying amounts that are reasonable approximations of fair value, and other than investments in subsidiaries, associates and joint ventures, grouped into Levels 1 to 3.

The group

31 December 2018	Level 1 €	Level 2 €	Level 3 €	Total €	Carrying amount €
Financial assets					
Loans and receivables					
Receivables from related parties	-	9,562,756	-	9,562,756	9,562,756
	-	9,562,756	-	9,562,756	9,562,756
Financial liabilities at amortised cost					
Related party loans	-	12,649,731	-	12,649,731	12,649,731
Bank overdrafts and loans	-	3,634,561	-	3,634,561	3,634,561
Debt securities	37,440,000	-	-	37,440,000	35,515,557
	37,440,000	16,284,292	-	53,724,292	51,799,849
31 December 2017					
	Level 1 €	Level 2 €	Level 3 €	Total €	Carrying amount €
Financial assets					
Loans and receivables					
Receivables from related parties	-	7,208,488	-	7,208,488	7,208,488
	-	7,208,488	-	7,208,488	7,208,488
Financial liabilities at amortised cost					
Related party loans	-	8,801,222	-	8,801,222	8,801,222
Bank overdrafts and loans	-	11,764,958	-	11,764,958	11,764,958
Debt securities	37,267,200	-	-	37,267,200	35,434,649
	37,267,200	20,566,180	-	57,833,380	56,000,829

The company

31 December 2018	Level 1 €	Level 2 €	Level 3 €	Total €	Carrying amount €
Financial assets					
Loans and receivables					
Receivables from related parties	-	38,501,419	-	38,501,419	38,501,419
	-	38,501,419	-	38,501,419	38,501,419
Financial liabilities at amortised cost					
Related party loans	-	20,268,300	-	20,268,300	20,268,300
Debt securities	37,440,000	-	-	37,440,000	35,515,557
	37,440,000	20,268,300	-	57,708,300	55,783,857
31 December 2017 (restated)					
	Level 1 €	Level 2 €	Level 3 €	Total €	Carrying amount €
Financial assets					
Loans and receivables					
Receivables from related parties	-	13,916,743	-	13,916,743	13,916,743
	-	13,916,743	-	13,916,743	13,916,743
Financial liabilities at amortised cost					
Related party loans	-	4,579,829	-	4,579,829	4,579,829
Debt securities	37,267,200	-	-	37,267,200	35,434,649
	37,267,200	4,579,829	-	41,847,029	40,014,478

43 Capital risk management

The group's and the company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maximise the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the group and the company consists of debt, which includes the borrowings disclosed in notes 30, 31 and 34, cash and cash equivalents as disclosed in note 26 and of items presented within equity in the statement of financial position.

The group's directors manage the capital structure and make adjustments to it, in light of changes in economic conditions. The capital structure is reviewed on an ongoing basis. Based on recommendations of the directors, the group balances its overall capital structure through the payments of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

44 Post reporting date events

No adjusting or significant non-adjusting events have occurred between the end of the reporting period and the date of authorisation by the board.

45 Discontinued operations

During 2016 management decided to discontinue the Middle East Operation which was operated via a branch in the Middle East through a subsidiary of the group, PTL Limited, which is reportable in the IT solutions and security systems segment. Revenue and expenses, gains and losses relating to the discontinuation of the operation have been eliminated from the results from the company's continuing operation and are shown as a single line item on the face of the income statement (see 'loss for the year from discontinued operations').

Operating loss of the Middle East Branch until the date of discontinuation is summarized as follows:

	The group 2018 €	The group 2017 €
Administrative and other expenses	-	(4,988)
Loss for the year from discontinued operations	-	(4,988)

Cash flows used by the Middle East Branch for the reporting period under review until the discontinuation is summarised as follows:

	The group 2018 €	The group 2017 €
Operating activities	-	(4,988)
Cash flows used in discontinued operations	-	(4,988)

Independent auditor's report

To the shareholders of 1923 Investments p.l.c.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of 1923 Investments p.l.c. (the "Company") and of the Group of which it is the parent, set out on pages 13 to 85, which comprise the statements of financial position as at 31 December 2018, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company and the Group as at 31 December 2018, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Companies Act, Cap. 386 (the "Act").

Our opinion is consistent with our additional report to the audit committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. In conducting our audit we have remained independent of the Company and the Group and have not provided any of the non-audit services prohibited by article 18A of the Accountancy Profession Act, Cap. 281. The non-audit services that we have provided to the Company and the Group during the year ended 31 December 2018 are disclosed in note 11 to the financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment testing of goodwill and intangible assets in the consolidated financial statements

Key audit matter

Goodwill with a carrying amount of €54.28 million and intangible assets having a carrying amount of €12.01 million as at 31 December 2018 are included on the Group's Statement of Financial Position as at that date.

Management is required to perform an assessment at least annually to establish whether goodwill and intangible assets that have an indefinite useful life should continue to be recognised, or if any impairment is required. The assessment was performed at the lowest level at which the Group could allocate and assess goodwill, which is referred to as a cash generating unit ("CGU").

The impairment assessment was based on the calculation of a value-in-use for each of the CGUs. This calculation was based on estimated future cash flows for each CGU, including assumptions concerning revenue growth, profit margins, weighted average cost of capital and effective tax rates.

Estimating future profitability requires the directors to apply significant judgements which include estimating future taxable profits, long term growth and discount rates. The estimation of future cash flows and the level to which they are discounted is inherently uncertain and requires judgement.

We focussed on this area because of the significance of the amounts of goodwill and intangible assets with indefinite useful life acquired in business combinations made by the Group up to 31 December 2018 which are recognised at balance sheet date. Moreover, the directors' assessment process is complex and highly judgmental and is based on assumptions which are affected by expected future market or economic conditions.

How the key audit matter was addressed in our audit

We evaluated the suitability and appropriateness of the impairment methodology applied by management and engaged our internal valuation specialist resources to assess the reliability of the directors' forecasts and to challenge the methodology used and the underlying assumptions. We concluded that the parameters utilised were reasonable.

We communicated with management and those charged with governance and noted that they were able to provide satisfactory responses to our questions. We also assessed the adequacy of the disclosures made in notes 5.29 of the financial statements relating to goodwill including those regarding the key assumptions used in assessing its carrying amount. Those disclosures specifically explain that the directors have assessed the carrying amount of goodwill and intangible assets with an indefinite useful life as at 31 December 2018 to be recoverable and that there is no impairment in the value of the goodwill and intangible assets with an indefinite useful life.

Assessment of carrying amount of investments in subsidiaries and other investments in the Company financial statements

Key audit matter

During the year ended 31 December 2018 management carried out an assessment to establish whether the carrying amount of investments in subsidiaries and other investments in the financial statements of the Company at 31 December 2018 should continue to be recognised, or if any impairment is required.

We focussed on this area because of the significance of the investments in subsidiaries and other investments which, at 31 December 2018, amounted € 64.91 million. Moreover, the directors' assessment process is complex and highly judgmental and is based on assumptions, such as forecast growth rates, profit margins, weighted average cost of capital and effective tax rate, which are affected by expected future market or economic conditions.

How the key audit matter was addressed in our audit

We evaluated the suitability and appropriateness of the impairment methodology applied by management and engaged our internal valuation specialist resources to assess the reliability of the directors' forecasts and to challenge the methodology used and the underlying assumptions. We concluded that the parameters utilised were reasonable.

We communicated with management and those charged with governance and noted that they were able to provide satisfactory responses to our questions. We also assessed the adequacy of the disclosures made in note 5.29 of the financial statements relating to investments including those regarding the key assumptions used in assessing its carrying amount. Those disclosures specifically explain that the directors have assessed the

carrying amount of investments as at 31 December 2018 to be recoverable and that there is no impairment in the value of the investments.

Other information

The directors are responsible for the other information. The other information comprises (i) the Directors' report, (ii) the Statement of responsibility pursuant to the Listing Rules issued by the Listing Authority (iii) the Corporate governance statement and (iv) Other disclosures in terms of Listing Rules which we obtained prior to the date of this auditor's report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information, including the Directors' report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Directors' report, we also considered whether the Directors' report includes the disclosures required by Article 177 of the Act.

Based on the work we have performed, in our opinion:

- The information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements, and
- the Directors' report has been prepared in accordance with the Act.

In addition, in light of the knowledge and understanding of the Company and the Group and their environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Directors' report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of the directors those charged with governance for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and are properly prepared in accordance with the provisions of the Act, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so. The directors are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In terms of article 179A(4) of the Act, the scope of our audit does not include assurance on the future viability of the audited entity or on the efficiency or effectiveness with which the directors have conducted or will conduct the affairs of the entity.

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Company or the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefit of such communication.

Report on other legal and regulatory requirements

Report on Corporate governance statement

The Listing Rules issued by the Malta Listing Authority (the "Listing Rules") require the directors to prepare and include in their Annual Report a Corporate governance statement providing an explanation of the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance throughout the accounting period with those Principles.

The Listing Rules also require us, as the auditor of the Company, to include a report on the Statement of Compliance prepared by the directors.

We read the Statement of Compliance with the Code of Principles of Good Corporate Governance and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements included in the Annual Report. Our responsibilities do not extend to considering whether this statement is consistent with any other information included in the Annual Report.

We are not required to, and we do not, consider whether the Board's statements on internal control included in the Statement of Compliance with the Code of Principles of Good Corporate Governance cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

In our opinion, the Corporate governance statement set out on pages 9 to 11 has been properly prepared in accordance with the requirements of the Listing Rules.

Other matters on which we are required to report by exception

We also have responsibilities

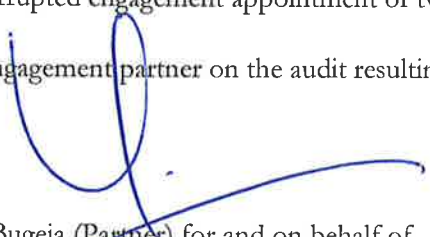
- under the Companies Act, Cap 386 to report to you if, in our opinion:
 - adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us
 - the financial statements are not in agreement with the accounting records and returns
 - we have not received all the information and explanations we require for our audit
 - certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.
- in terms of Listing Rules to review the statement made by the Directors that the business is a going concern together with supporting assumptions or qualifications as necessary.

We have nothing to report to you in respect of these responsibilities.

Auditor tenure

We were first appointed as auditors of the Company and the Group on 14 November 2017. Our appointment has been renewed annually by a shareholders' resolution representing a total period of uninterrupted engagement appointment of two years.

The engagement partner on the audit resulting in this independent auditor's report is Mark Bugeja.



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

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25 April 2019