

**MCM
XXIII**

**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.**

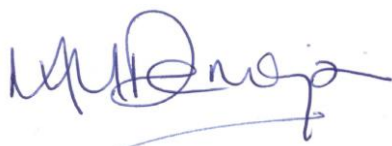
QUOTE

The Company announces that the Audited Consolidated Financial Statements for the financial year ended 31 December 2020 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 €4,437,000 was projected in the Financial Analysis Summary published in August 2020 and that the Company closed the Financial Year Ending 31 December 2020 with a consolidated profit before tax of €4,301,840. The Company had also projected a profit after tax amounting to €3,417,000 and the company closed the Financial Year Ending 31 December 2020 with a consolidated profit after tax of €3,419,170.

UNQUOTE

BY ORDER OF THE BOARD



Dr. Melanie Miceli Demajo
Company Secretary

27 April 2021

1923 Investments p.l.c.

Report & Consolidated Financial
Statements

31 December 2020

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Directors' report

The directors present their report together with the audited financial statements of 1923 Investments p.l.c. (the Company) and the consolidated financial statements of the Group of which it is the parent, for the year ended 31 December 2020.

Principal activities

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

The group is engaged in (i) the sale and distribution of Apple Products and third party electronic products as an Apple Premium Reseller, (ii) the sale, maintenance and servicing of information technology solutions, security systems and provides electronic payment solutions, (iii) providing road, sea and air logistics services including the provision of ship-to-ship transfer services and LNG terminal management.

Significant events during 2020

During 2020, the Board of Directors of 1923 Investments p.l.c. approved the purchase of a carve out transaction relating to ship-to-ship transfer services business from Teekay Tankers Limited. The acquisition was concluded on 30 April 2020. STS Marine Solutions Limited, a company incorporated in Jersey was set up to purchase STS Marine Solutions (Bermuda) Limited, which operates the Ship to Ship business, SPT Marine Transfer Services Limited, which operates Terminal Management and Guardian LLC, which owns and operates a vessel. As part of the same transaction, Carmelo Caruana Marine Solutions Limited was set up in the UK as a holding company to acquire STS Marine Solutions (UK) Limited, a company which primarily provides back-office services. In this document, the acquired business is being referred to as 'STS Marine Solutions'.

Acknowledging the synergies between Carmelo Caruana Company Limited and the newly acquired business, the directors of 1923 Investments resolved to transfer STS Marine Solutions Limited and Carmelo Caruana Marine Solutions Limited to Hili Logistics Limited. This transaction was concluded in the 4th quarter of 2020.

In order to position Carmelo Caruana Company Limited more appropriately for future growth in the maritime industry, the board of directors of 1923 Investments approved a restructuring of the business. Consequently, the company transferred its operations in freight forwarding business to CMA CGM Malta Limited in the second half of 2020 and is now focusing primarily on ship to ship services, ship agency and warehousing activities.

Performance review – The Group

During the year under review, the consolidated revenue increased by 11% to € 149,734,105 (2019: € 134,897,806). The increase in revenue was driven by (i) an increase in organic revenue of 10.3%, amounting to € 10,446,079 at iSpot level which was partly netted off by foreign exchange headwind of € 5,337,318, and (ii) an eight month revenue contribution of € 9,804,636 from STS Marine Solutions.

In 2020, the Group registered an operating profit of € 7,610,929 (2019: € 3,214,614) on revenue of € 149,734,105 (2019: € 134,897,806), resulting in an increase in the operating profit margin from 2.4% in 2019 to 5.1%. The Group registered a profit before tax of € 4,301,840 (2019: € 3,041,875). During the year, 1923 Investments incurred a one-off restructuring cost of € 607,707 (2019: € [0]), mainly incurred in relation to the termination of the freight forwarding operations at Carmelo Caruana Company Limited.

The Group's net assets at the end of 2020 amounted to € 45,574,056 (2019: € 45,062,773). In 2020, the increase in Net Asset Value is mainly attributable to the increase in profitability of the businesses amounting to € 2,292,695, equivalent to the profit after tax for the year attributable to the owners of the company and loan payable to the ultimate parent company which has been earmarked for capitalisation towards the end of 2020. It is pertinent to note that as a result of a significantly weaker Polish Zloty (PLN) against the Euro closing at PLN 4.5597 at 31 December 2020 (2019: PLN 4.2501) and a weaker US Dollar (USD) against the Euro of USD 1.2271 at 31 December 2020 against USD 1.0876 being the date of acquisition of the STS business, the translation reserve had a negative impact of € 4,978,238 (2019: positive impact amounting to € 294,815). While this movement arises since the reporting currency is different from the functional currency, all efforts are made by management to hedge against adverse foreign currency variances arising from exposure to different currencies. Non-controlling interest increased from € 3,835,897 to €4,472,723 being the share of profitability of Harvest Technology p.l.c. ('Harvest') not owned by the Company. In 2019, the increase in Net Asset Value was mainly attributable to a gain made following the sale of shares at Harvest.

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 1.2:1 (2019: 1.2:1). 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 taxes. During the year under review, EBITDA increased to € 13,170,148 from € 11,161,368 in 2019.

The Group's EBITDA margin increased to 8.8% (2019: 8.3%).

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 increased from 6% to 8% during the year under review due to an increase in profitability.

The Group's gearing ratio has increased to 48% (2019: 32%). Interest cover stands at 3.3 times compared to 4.2 times in 2019, a direct result of the increase in finance costs following the acquisition of the STS Marine Solutions.

Performance review – The Company as a stand-alone entity

The Company earned revenue and investment income of € 725,000 and € 1,956,794 respectively (2019: revenue of € 1,035,833 and investment income of € 2,188,394). The Company registered a loss before tax of € 2,366,750 (2019: loss before tax of € 608,741). The net assets of the Company at the end of 2020 amounted to € 49,718,592 (2019: € 48,704,957).

Group performance review – non-financial

iSpot

iSpot reported a strong year, both financially but also through improved customer engagement. Despite the Covid-19 pandemic resulting in approximately nine non-consecutive weeks of lockdown in total during 2020, iSpot reported a 10.3% increase in organic revenue and €1,317,201 increase in pre-tax profit. Footfall traffic within the stores decreased by 37.1% in 2020 versus 2019 due to extended periods when the outlets were closed, however this was more than compensated by (i) increased e-commerce sales, and (ii) significantly higher conversion rate and basket spend. The conversion rate, which measures the percentage of actual purchases compared to customers entering the store, amounted to 12.3% in 2020 versus 9.6% in 2019. 2020 also saw an increase in the average basket spend by 22.2% to €269 compared to €220 in 2019.

In 2020, iSpot saw a significant increase in its e-commerce business. Due to the Covid-19 pandemic, the management team focused its efforts on transferring customers from retail outlet sales to online and providing customers with all services offered in our brick-and-mortar stores. Through effective marketing communication and dedicated offering, traffic to the website iSpot.pl increased by 42% compared to 2019 and Net Sales Value growth in e-commerce accelerated by 175% versus 2019.

Increased traffic and number of completed orders did not affect the quality of delivered service resulting in an increased Net Promoter Score of 86 (2019: 80).

In December 2020, iSpot was awarded the top position in the “Top 100 Brands in Poland: Customer Experience in the New Reality” ranking created by KPMG. iSpot customers mostly appreciated the time and effort involved in interacting with the iSpot team. iSpot scored highly for empathy, problem solving, meeting customers’ expectations and personalization. The report focused especially on brands adapting well to the pandemic situation by creating new customer service channels and meeting new expectations.

Since March 2020, iSpot is one of the two Polish market official Apple Authorised Education Specialists. This unique Apple certificate is granted to selected Apple partners who can offer high quality solutions based on the individual needs of leaders, teachers and students. This title further strengthens iSpot’s mission to become a unique place for educational customers, where one can find innovative products, educated sales expertise and personalized customer care.

Harvest Technology plc

Harvest Technology reported a strong performance in 2020 which exceeded the forecasts provided to the market at the time of the IPO in December 2019. Harvest generated revenues of € 19.2 million, an increase of 20% over 2019, driven by strong growth at PTL and ApcoSystems. Furthermore, the group achieved a net profit before tax of € 4.5 million, an increase of 48% over 2019 and a 44% improvement over the original projections. As was identified within the Harvest Technology p.l.c. prospectus, as well as communicated during the 2020 Annual General Meeting, internationalisation is a key strategic objective for Harvest going forward. Whilst strengthening local presence, services, and portfolio, Harvest are engaging in internationalisation activities, across all subsidiaries. In fact, in 2021, ApcoSystems announced that it has established a physical presence through offices in Greece which have now been officially inaugurated while the intention is also to look at neighbouring countries including Cyprus and Romania.

In 2020, PTL together with global partner, IBM initiated a critical security project in Mauritius. This landmark project has provided the team with a strong platform to continue to build its international presence. PTL Ltd is actively looking new projects across the African continent.

APCO Ltd also intends to strengthen its presence in South Africa through a local partnership agreement with a large IT Management Consulting group specializing in retail.

Hili Logistics

In the Logistics industry, the market is still challenging and highly competitive.

The restructuring at Carmelo Carmelo in 2020 has allowed the business to focus on Agency, STS and warehousing in Malta which is already seeing an improvement across all the the business lines. The positive trend has also continued in 2021 where the business is seeing an increase in the number of operations across the agency and local STS business while the warehouse is currently operating at over 90% utilisation.

CMA-CGM Malta Agency Ltd experienced better performance in 2020 through an increase in revenue of 15% reaching € 6,594,987 (2019: € 5,751,975). Profit after tax amounted to € 1,330,134 (2019: € 779,102). The outlook for 2021 for this company remains positive.

The acquisition of STS Marine Solutions will be transformational for the marine service offering, the business is headquartered in the UK and operates across 24 bases globally through its two key brands: OilSTS and LNGSTS. The teams in the UK and Malta are working together to develop a strong service offering to global oil majors seeking STS and agency services in Malta. This also brings along other opportunities to cross sell other services mainly for vessel owners such as supplies and provisions, crew changes, repairs, surveys etc. The sharing of market intelligence as well as resources naturally brings along opportunities for cost savings and leads to offer more competitive pricing in the market.

The demand for the STS services is predominately driven by the volume of oil traded between oil majors and independent traders, and also by production where local port infrastructure is unable to accommodate large tankers. As a result of Covid-19, the industry has suffered lower demand for OilSTS services since most countries in the world have imposed restrictions including lockdowns, restricted air travel and closed non-essential outlets. It is expected that once COVID-19 restrictions are lifted, demand for oil will resume and STS operations will return to pre-pandemic levels. During the pandemic, the management team has focussed on securing new STS operations in the LNG space.

On the other hand, during 2020 STS Marine Solutions management continued to work on securing important contracts in the LNGSTS sector with international gas producers. STS Marine Solutions is actively seeking to secure new terminal management contracts similar to the LNG Terminal in Jordan.

ALLcom, a freight forwarding company and provider of warehousing in Poland, saw an improvement in volumes despite the Covid-19 restrictions. The management team focussed its sales effort on increasing services to clients in the food and pharmaceuticals sector which were seeing strong growth and also cross-sell high margin services such as the storage of goods at company's managed warehouse in Bolszewo. Furthermore, the company managed the cost very efficiently. Throughout a combination of better top line and cost management, the profit before tax increased by 192% to reach €236,843 in 2020. Despite the recent sharp increase in the freight costs, the results of the first quarter of 2021 are also encouraging.

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 Internal Audit, 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, 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.

The developments pertaining to the Covid-19 pandemic that occurred during 2020 are discussed in the Effects of Covid-19 pandemic section below.

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 being made 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 healthy 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 (i) the sale of retail and IT solutions in Poland predominately as an Apple Premium Reseller, (ii) the sale of payment processing services, the provision of IT solutions and security systems, (iii) the provision of road, sea and air logistics services; and (iv) provision of Ship to Ship Transfers of oil and LNG, Terminal Management and consultancy services.

The Group is also seeking to diversify its investment portfolio by adding other pillars such as renewable energy across Europe.

The Group's iSpot 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 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. During 2020 and beyond, Harvest is seeking to internationalise its services even further in Europe and other continents where it already has a connection. 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 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. STS Marine Solutions is a world leading ship-to-ship service provider with over 30 years of experience in transferring crude oil, refined petroleum products, LPG and LNG, the Group's core activities comprise oil, gas and LNG support operations, LNG terminal management, emergency support services and consultancy.

Significant judgements and estimates

Note 4 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 2020 are shown in the statements of profit or loss and other comprehensive income on page 16. The Group's profit after tax was € 3,419,170 (2019: € 1,606,479), whilst the Company's loss after tax was € 1,546,365 (2019: € 1,127,864). During 2020, a management fee amounting to € 600,000 was charged by the parent company (2019: € 660,000).

No dividend was declared and paid during the year (2019: Nil).

Likely future business developments

The directors of 1923 Investments p.l.c. are of the view that there are a number of investment opportunities in the retail sector, technology sector, logistics sector as well as in the renewable energy sector which is an area which the company wishes to expand as its forth pillar. Each investment opportunity that will arise during the course of the year will be thoroughly explored and evaluated with a view to continue to grow its business portfolio in line with the Company's strategy.

Effects of Covid-19 pandemic

Since the outbreak of the Covid-19 pandemic, the directors have continued to actively monitor all developments taking place both locally and internationally in order to take any appropriate action to safeguard the interest of the Company and its subsidiaries. Although the Group managed to improve on actual results of the previous year, such events might still have an impact on the performance and financial position of the Group in the future due to any unforeseen effects that such pandemic might have on the economies and industries to which the Group is exposed.

The results for year ended 31 December 2020 show that the Company has performed well and is in line with the projections set out in our Financial Analysis Summary published in August 2020. Whilst the situation remains fluid and future events may have an adverse effect on the Group's future profitability, liquidity and financial position, the outlook remains cautiously optimistic.

During the year, the Group has, wherever possible, implemented a work-from-home approach in order to limit unnecessary commuting and enforced the use of protective equipment in line with guidelines issued by the public health authorities for essential visits to the Group offices or on-site visits to customers due to the nature of its operations. This strategy proved to be successful with minimal disruptions to clients and other business partners. At iSpot, e-commerce was actively promoted and most of the sales were being carried out through this channel during periods of lock down in Poland. The Group has availed itself of and utilised the Government's Covid assistance measures in Malta and Poland which has assisted in creating stability and peace of mind to its employees while at the same time giving management the ability to further invest in a safer work environment that will be beneficial to its workforce in the longer term.

Post balance sheet events

There were no other adjusting or other 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 Carmelo sive Melo Hili
Mr Geoffrey Camilleri (resigned on 4 January 2021)
Mr Dorian Desira (appointed on 4 January 2021)
Mr Karl Fritz
Ms Therese Calleja (resigned on 5 April 2021)
Dr Austin Gatt (resigned on 8 June 2020)
Dr Ann Fenech (appointed on 24 June 2020)

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

Going concern

After making due enquiry and using the best judgment available at the time of approving these financial statements, an impact assessment has been carried out by the Board, including a review of different service level and cash flow scenarios. Based on this review and the measures taken as indicated above, the Board expects that the Group will be able to sustain its operations over the next twelve months, and to meet its obligations as and when they fall due.

Accordingly, for these reasons the Board is of the opinion that it remains appropriate to adopt the going concern basis in the preparation of these 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 27 April 2021 by:



Charles Borg
Chairman



Dorian Desira
Director

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

27 April 2021

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 2020 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



Dorian Desira
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 five Members, three of which are completely independent from the Company or any other related companies.

For the purpose of the listing rules, Mr Charles Borg, Dr Anne Fenech and Mr Karl Fritz are independent non-executive directors of the Company. In addition to the above, Dr Austin Gatt served as an independent non-executive director until he resigned on 8 June 2020. Furthermore, Ms Therese Calleja resigned on 5 April 2021 and Mr Geoffrey Camilleri resigned on 4 January 2021. Mr Dorian Desira was appointed in his stead on 4 January 2021.

Non-Executive Directors

Mr Carmelo sive Melo Hili
Mr Dorian Desira (appointed on 4 January 2021)
Ms Therese Calleja (resigned on 5 April 2021)
Mr Geoffrey Camilleri (resigned on 4 January 2021)

Independent Non-Executive Directors

Mr Charles Borg (Chairman)
Dr Anne Fenech (appointed on 24 June 2020)
Mr Karl Fritz
Dr Austin Gatt (resigned on 8 June 2020)

The Board Meetings are attended by the Chief Executive Officer of the group in order for the Board to understand the operations of the group. The Chief Executive Officer is joined 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:

Mr Karl Fritz (Chairman)
Dr Ann Fenech (appointed on 24 June 2020)
Mr Dorian Desira (appointed on 4 January 2021)
Mr Geoffrey Camilleri (resigned on 4 January 2021)
Dr Austin Gatt (resigned on 8 June 2020)

To satisfy the requirement established by the Listing Rules, the Audit Committee is composed of non-executive directors, the majority of which being independent. Mr Dorian Desira 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 four times during 2019 and four times during 2020. 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 Chief Executive Officer.

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 Chief Executive Officer 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 27 April 2021 by:



Charles Börg
Chairman



Dorian Desira
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 27 April 2021 by:



Charles Borg
Chairman



Dorian Desira
Director

Statements of profit or loss and other comprehensive income

	Notes	The group 2020 €	The group 2019 €	The company 2020 €	The company 2019 €
Revenue	6	149,734,105	134,897,806	725,000	1,035,833
Cost of sales		(126,323,059)	(116,697,961)	-	-
Gross profit		23,411,046	18,199,845	725,000	1,035,833
Other operating income	7	261,323	154,726	-	12,960
Administrative expenses		(16,061,440)	(15,139,957)	(1,335,841)	(2,269,192)
Operating profit (loss)		7,610,929	3,214,614	(610,841)	(1,220,399)
Investment income	8	116,429	295,355	1,956,794	2,188,394
Gain on disposal of shares in subsidiary	8	-	5,881,742	-	5,881,742
Finance costs	9	(4,062,008)	(2,930,241)	(3,712,703)	(2,727,841)
Other income		157,142	74,571	-	-
Impairment of goodwill	15	-	(3,789,388)	-	-
Loss on disposal of a subsidiary within the group		-	(58,363)	-	-
Impairment of investment in subsidiaries	20	-	-	-	(4,730,637)
Share of profit in associates	21	421,513	246,028	-	-
Share of results in joint ventures	21	57,835	107,557	-	-
Profit (loss) before tax	10	4,301,840	3,041,875	(2,366,750)	(608,741)
Tax (expense) credit	13	(882,670)	(1,435,396)	820,385	(519,123)
Profit (loss) for the year		3,419,170	1,606,479	(1,546,365)	(1,127,864)
Other comprehensive income (loss)					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Exchange differences on translating foreign operations		(4,978,238)	294,815	-	-
Total comprehensive income (loss)		(1,559,068)	1,901,294	(1,546,365)	(1,127,864)
Profit (loss) attributable to:					
Owners of the company		2,292,695	1,502,493	(1,546,365)	(1,127,864)
Non-controlling interest		1,126,475	103,986	-	-
		3,419,170	1,606,479	(1,546,365)	(1,127,864)
Total comprehensive income (loss) attributable to:					
Owners of the company		(2,685,543)	1,797,308	(1,546,365)	(1,127,864)
Non-controlling interest		1,126,475	103,986	-	-
		(1,559,068)	1,901,294	(1,546,365)	(1,127,864)

Statements of financial position

	Notes	The group 2020 €	The group 2019 €	The company 2020 €	The company 2019 €
Assets					
Non-current					
Goodwill	15	61,690,558	50,977,993	-	-
Intangible assets	16	11,689,473	12,177,049	-	-
Plant and equipment	17	10,056,907	5,610,785	3,960	4,530
Right-of-use assets	18	8,554,777	10,294,497	-	-
Investment in subsidiaries	20	-	-	66,832,577	55,332,577
Investment in associates	21	496,191	270,678	-	-
Investment in joint ventures	21	965,831	907,996	682,375	682,375
Other investment	22	50,000	50,000	-	-
Loans and receivables	23	1,846,537	2,383,816	26,091,177	34,841,025
Deferred tax assets	36	1,607,884	1,462,908	301,262	23,356
		96,958,158	84,135,722	93,911,351	90,883,863
Current					
Inventories	24	9,692,000	11,476,437	-	-
Loans and receivables	23	531,667	8,350,853	4,512,200	4,689,144
Contract assets	6	1,749,577	215,998	-	-
Other assets	25	1,013,114	1,444,414	25,868	3,819
Trade and other receivables	26	12,616,602	11,805,251	371,380	354,084
Cash and cash equivalents	27	11,380,270	18,933,855	416,990	10,624,983
Current tax assets		1,550,171	912,630	958,322	260,851
		38,533,401	53,139,438	6,284,760	15,932,881
Total assets		135,491,559	137,275,160	100,196,111	106,816,744

Statements of financial position – continued

	Notes	The group 2020 €	The group 2019 €	The company 2020 €	The company 2019 €
Equity					
Share capital	28	49,575,000	49,575,000	49,575,000	49,575,000
Other equity	29	(2,181,736)	(4,741,736)	2,714,629	154,629
(Accumulated losses) retained earnings		(568,366)	(2,861,061)	(2,571,037)	(1,024,672)
Translation reserve	30	(5,723,565)	(745,327)	-	-
Attributable to equity holders of the parent		41,101,333	41,226,876	49,718,592	48,704,957
Non-controlling interest		4,472,723	3,835,897	-	-
Total equity		45,574,056	45,062,773	49,718,592	48,704,957
Liabilities					
Non-current					
Debt securities in issue	31	35,677,368	35,596,464	35,677,368	35,596,464
Borrowings	32	1,811,780	100,000	1,811,780	-
Lease liabilities	19	6,536,682	7,541,426	-	-
Trade and other payables	33	185,927	543,826	-	-
Other financial liabilities	35	11,402,552	3,078,375	11,983,385	17,722,813
Deferred tax liabilities	36	1,249,565	1,406,637	-	32,799
		56,863,874	48,266,728	49,472,533	53,352,076

Statements of financial position – continued

	Notes	The group 2020 €	The group 2019 €	The company 2020 €	The company 2019 €
Current					
Borrowings	32	5,306,037	4,654,467	294,593	-
Lease liabilities	19	2,302,930	2,958,319	-	-
Trade and other payables	33	22,602,848	23,923,325	710,393	803,994
Contract liabilities	34	1,315,246	2,302,621	-	-
Other financial liabilities	35	239,536	9,315,506	-	3,955,717
Current tax liability		1,287,032	791,421	-	-
		33,053,629	43,945,659	1,004,986	4,759,711
Total liabilities		89,917,503	92,212,387	50,477,519	58,111,787
Total equity and liabilities		135,491,559	137,275,160	100,196,111	106,816,744

The financial statements on pages 16 to 88 were approved by the board of directors, authorised for issue on 27 April 2021 and signed on its behalf by:

Charles Borg
 Chairman

Dorian Desira
 Director

Statement of changes in equity – the group

	Share capital	Other equity	Retained earnings (accumulated losses)	Translation reserve	Attributable to equity holders of the parent	Non-controlling interest	Total equity
	€	€	€	€	€	€	€
At 1 January 2019	49,575,000	(4,741,736)	(5,519,637)	(1,040,142)	38,273,485	44,236	38,317,721
Transactions with owners:							
Dividend paid to minority interest	-	-	-	-	-	(3,336)	(3,336)
	-	-	-	-	-	(3,336)	(3,336)
Profit for the year	-	-	1,502,493	-	1,502,493	103,986	1,606,479
Other comprehensive income for the year	-	-	-	294,815	294,815	-	294,815
Total comprehensive income	-	-	1,502,493	294,815	1,797,308	103,986	1,901,294
Non-controlling interest	-	-	1,156,083	-	1,156,083	3,691,011	4,847,094
	-	-	1,156,083	-	1,156,083	3,691,011	4,847,094
At 31 December 2019	49,575,000	(4,741,736)	(2,861,061)	(745,327)	41,226,876	3,835,897	45,062,773

Statement of changes in equity – the group – continued

	Share capital	Other equity	Accumulated losses	Translation reserve	Attributable to equity holders of the parent	Non-controlling interest	Total equity
	€	€	€	€	€	€	€
At 1 January 2020	49,575,000	(4,741,736)	(2,861,061)	(745,327)	41,226,876	3,835,897	45,062,773
Transactions with owners:							
Dividend paid to minority interest	-	-	-	-	-	(489,649)	(489,649)
	-	-	-	-	-	(489,649)	(489,649)
Profit for the year	-	-	2,292,695	-	2,292,695	1,126,475	3,419,170
Other comprehensive income for the year	-	-	-	(4,978,238)	(4,978,238)	-	(4,978,238)
Total comprehensive income	-	-	2,292,695	(4,978,238)	(2,685,543)	1,126,475	(1,559,068)
Loan from parent	-	2,560,000	-	-	2,560,000	-	2,560,000
At 31 December 2020	49,575,000	(2,181,736)	(568,366)	(5,723,565)	41,101,333	4,472,723	45,574,056

Accumulated losses include current and prior period results as disclosed in the statements of profit or loss and other comprehensive income.

Accumulated losses include an amount of € 1,607,884 (2019: € 1,462,908) relating to deferred tax assets which are undistributable in terms of the Companies Act, Cap 386.

Statement of changes in equity – the company

	Share capital	Other equity	Retained earnings (accumulated losses)	Total
	€	€	€	€
At 1 January 2019	49,575,000	154,629	103,192	49,832,821
Loss for the year	-	-	(1,127,864)	(1,127,864)
Total comprehensive loss	-	-	(1,127,864)	(1,127,864)
At 31 December 2019	49,575,000	154,629	(1,024,672)	48,704,957
At 1 January 2020	49,575,000	154,629	(1,024,672)	48,704,957
Loss for the year	-	-	(1,546,365)	(1,546,365)
Total comprehensive loss	-	-	(1,546,365)	(1,546,365)
Loan from parent	-	2,560,000	-	2,560,000
At 31 December 2020	49,575,000	2,714,629	(2,571,037)	49,718,592

Retained earnings (accumulated losses) include current and prior period results as disclosed in the statements of profit or loss and other comprehensive income.

Statements of cash flows

	Notes	The group 2020 €	The group 2019 €	The company 2020 €	The company 2019 €
Operating activities					
Profit before tax		4,301,840	3,041,875	(2,366,750)	(608,741)
Adjustments	37	8,724,903	5,773,874	1,757,969	(703,524)
Net changes in working capital	37	(743,675)	3,308,396	(937,276)	195,473
Interest paid		(2,716,095)	(2,419,164)	(2,239,170)	(1,862,858)
Tax paid		(1,920,059)	(882,565)	-	-
Tax refunded		450,003	322,347	260,926	146,524
Net cash generated from (used in) operating activities		8,096,917	9,144,763	(3,524,301)	(2,833,126)
Investing activities					
Payments to acquire plant and equipment	17	(1,020,616)	(1,008,219)	(1,490)	(3,376)
Payments to acquire intangible assets	16	(630,097)	(385,304)	-	-
Proceeds from disposal of plant and equipment		469,688	116,532	-	-
Interest received		2,005	427	44,447	-
Proceeds from disposal of shares in a subsidiary		-	10,728,836	-	10,728,836
Cash taken over upon acquisition of a subsidiary		1,509,407	131	-	-
Cash disposed upon sale of a subsidiary		-	(4,531)	-	-
Investment in subsidiary undertakings		-	-	(11,500,000)	-
Net advances to subsidiaries		-	-	(14,527,114)	-
Acquisition of subsidiary undertaking		(24,784,537)	-	-	-
Financing costs incurred to acquire subsidiary		(268,120)	-	(299,644)	-
Proceeds from sale of a subsidiary		-	94,455	-	-
Payments from parent company		-	-	6,000,000	-
Repayment to parent company		-	-	(333,428)	-
Movement in loans and receivables		5,528,997	-	-	-
Repayments to parent company		-	-	-	(1,852,796)
Payments from subsidiaries		-	-	-	3,220,885
Payments to related companies		-	(1,091,141)	(4,997)	(1,843)
Dividends received from subsidiaries		-	-	832,161	-
Dividends received from associates		196,000	83,300	-	-
Net cash (used in) generated from investing activities		(18,997,273)	8,534,486	(19,790,065)	12,091,706

Statements of cash flows – continued

	Notes	The group 2020 €	The group 2019 €	The company 2020 €	The company 2019 €
Financing activities					
Dividends paid		(489,649)	(3,336)	-	-
Loans advanced by related parties		11,000,000	-	11,000,000	-
Payments to third parties		(6,000,000)	-	-	-
Proceeds from bank loan	32	2,989,456	-	2,250,000	-
Repayments of bank loans		(790,886)	(100,000)	(143,627)	-
Payments for lease obligations to third parties		(2,898,982)	(2,775,156)	-	-
Payments for lease obligations to related companies		(252,028)	(261,008)	-	-
Interest paid on leasing arrangements with third parties		(312,987)	(345,543)	-	-
Interest paid on leasing arrangements related company		(62,933)	(84,627)	-	-
Net cash generated from (used in) financing activities		3,181,991	(3,569,670)	13,106,373	-
Net change in cash and cash equivalents		(7,718,365)	14,109,579	(10,207,993)	9,258,580
Cash and cash equivalents, beginning of year		14,379,388	269,809	10,624,983	1,366,403
Cash and cash equivalents, end of year	27	6,661,023	14,379,388	416,990	10,624,983

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. On 30 April 2020, the company purchased a Ship to Ship business from Teekay Tankers Limited to strengthen its presence in the logistics sector. 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.

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

3 New or revised Standards or Interpretations

3.1 New standards adopted as at 1 January 2020

Some accounting pronouncements which have become effective from 1 January 2020 and have therefore been adopted do not have a significant impact on the group's financial results or position. Accordingly, the group has made no changes to its accounting policies in 2020.

Other Standards and amendments that are effective for the first time in 2020 and could be applicable to the group are:

- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- Amendments to References to the Conceptual Framework (Various Standards)
- Covid-19 Rent Related Concessions (Amendments to IFRS 16)

These amendments do not have a significant impact on these financial statements and therefore no additional disclosures have been made.

3.2 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 by the group have not been disclosed as they are not expected to have a material impact on the group's financial statements.

4 Summary of accounting policies

4.1 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.

4.2 Presentation of financial statements

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

4.3 Basis of consolidation

The group financial statements consolidate those of the parent company and all of its subsidiaries as of 31 December 2020. 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.

4.4 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.

4.5 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.

4.6 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.

4.7 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.

4.8 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 IFRS 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.

4.9 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.

4.10 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.

4.11 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 providing 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 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 contract liabilities in the statement of financial position (see note 35). 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 one 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. The standard warranty does not provide a service which enhances, or is in any way or manner an addition to the standard assurance to the product performance. 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 35).

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.

Ship-to-ship services

Revenue is recognised from the provision of support services for Ship-to-Ship (STS) cargo transfer operations, mainly oil and gas. In most instances, an STS operation takes between 24 and 48 hours to be completed, revenue is recognised upon completion of the operation.

Terminal management and consultancy services

Revenue arises from Liquefied Natural Gas (LNG) terminal management, emergency support services and consultancy. The performance obligations within these contracts typically consist of technical management and provision of consultancy. The performance obligations are satisfied concurrently, and consecutively rendered over the duration of the management contract over time. These are measured using the time elapsed from commencement of the contract. Consideration generally consists of fixed monthly management fees. Any costs incurred on behalf of the client are reimbursed. Management fees are invoiced monthly.

4.12 Interest and dividends

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

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

4.13 Operating expenses

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

4.14 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.

4.15 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.

4.16 Share-based payments

The group operated an equity-settled share-based plan for one of its senior officers.

The fair value of the services received in exchange for the grant of share-based payments was determined indirectly by reference to the fair value of the equity instruments granted. Their fair value was appraised at the grant date. This was recognised as an expense in the consolidated profit or loss and other comprehensive income with a corresponding credit to reserves.

The accounting costs of this transaction are recognised as a receivable from a subsidiary in the statement of financial position of the company with a corresponding credit to reserves in those cases when such costs are recharged.

4.17 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 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.

4.18 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 and acquired licences

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 5.22. The following useful lives are applied:

	Years
Internally developed software and acquired licences	3 – 10
Patents and trademarks	7 – 10

Any capitalised internally developed software that is not yet complete is not amortised but is subject to impairment testing as described in note 4.22.

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.

4.19 Plant and equipment

The group's plant and equipment are classified into the following classes – improvements to premises, equipment, motor vehicles and furniture, fixtures and fittings.

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 plant and equipment is recognised as an expense when incurred.

Plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

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
Equipment	10 – 33
Motor vehicles	10 – 25
Furniture, fixtures and fittings	10 – 25

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

4.20 Right-of-use assets

In the case of right-of-use assets, expected useful lives are determined by reference to comparable owned assets or the lease term, if shorter. Material residual value estimates and estimates of useful life are updated as required, but at least annually. For leases on buildings, the right-of-use assets are being amortised over the lease term.

4.21 Leases

Measurement and recognition of leases

At lease commencement date, the group recognises a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed) and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The group has elected to account for short-term leases using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the consolidated statement of financial position, the group has opted to disclose right-of-use assets and lease liabilities as separate financial statement line items.

4.22 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.

4.23 Financial instruments

Recognition 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 or investment income, except for impairment of trade receivables which is presented within administrative 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, loans and receivables, contract assets and 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 will be recycled upon derecognition of the asset.

As already indicated above, the group held no financial assets at fair value through other comprehensive income.

Impairment of financial assets

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) 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).

The group considers a broad 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.

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

The group's financial liabilities include debt securities in issue, borrowings, lease liabilities 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 investment income.

4.24 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method for the retail and IT solutions in Poland and the first in first out method for the technology division in Malta, 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.

4.25 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.

4.26 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 as borrowings in current liabilities in the statement of financial position.

4.27 Equity and reserves

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

Retained earnings (accumulated losses) include all current and prior period results as disclosed in the consolidated statement of profit or loss and other comprehensive income 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.

4.28 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.

4.29 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 4.11. 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 4.18).

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 4.25).

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 4.22). 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.

The projections used in this year's impairment review took into consideration the impact of Covid-19 and the projected gradual recovery from the pandemic. These projections were based on the actual performance of the group in 2020, on our knowledge and understanding of Covid-19's impact on the industries in which the group operates in, and our repositioning in the market.

Furthermore, following an in-depth review of our projections, the auditors opted to include an execution risk premium (based on their professional judgement) to mitigate the current forecasting uncertainty and to obtain added comfort that the carrying value of the intangible assets is indeed recoverable.

At 31 December 2020, goodwill of the group was allocated as follows:

- € 21,368,026 (2019: € 21,299,587) to the polish subsidiary iSpot Poland Sp. z.o.o. which operates the Apple Premium Reseller Business.
- € 3,860,898 (2019: € 3,357,248) to APCO Systems Limited which operates the electronic payment gateway.
- € 2,168,112 (2019: € 2,671,762) to APCO Limited which operates in the business of selling and maintenance of IT solutions and security systems.
- € 1,464,476 (2019: € 1,464,476) to PTL Limited which operates in the business of selling and maintenance of IT solutions and security systems.
- € 32,829,046 (2019: € 22,184,920) to Hili Logistics group which operates in the business of providing road, sea and air logistics services. A goodwill of € 14,354,059 has been created through the acquisition of the STS business from Teekay Tankers Limited on 30 April 2020 for a consideration of € 24,784,537 (USD 26,955,663).

For further analysis of the movement within goodwill, refer to note 15 of these financial statements.

During 2020, Harvest Technology p.l.c. reallocated goodwill between two of its subsidiaries. The following information provides further disclosure on such reallocation.

At 31 December 2019, goodwill in Harvest Technology p.l.c. was allocated as follows:

- € 3,357,248 (2018: € 3,357,248) to APCO Systems Limited which operates the electronic payment gateway.
- € 2,671,762 (2018: € 2,671,762) to APCO Limited which operates in the business of selling and maintenance of IT solutions and security systems.
- € 1,464,477 (2018: € 1,464,477) to PTL Limited business.

The goodwill relating to APCO Systems Limited and to APCO Limited arose in 2014 when the Harvest Technology p.l.c. acquired those two companies for a combined consideration of € 7.06 million. Since APCO Limited and APCO Systems Limited are two separately identifiable Cash Generating Units ("CGUs"), Harvest was required to allocate the combined consideration of € 7.06 million between the two CGUs. At the time of the acquisition, management opted to allocate the € 7.06 million combined consideration on the basis of the average Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") of APCO Limited and APCO Systems Limited.

Based on the Harvest's internal records, the EBITDAs used to split this combined consideration were € 451,000 and € 760,000 for APCO Limited and APCO Systems Limited respectively. Thus, based on this allocation mechanism, the combined consideration of € 7.06 million was split as follows: €2.63 million for APCO Limited and € 4.43 million for APCO Systems Limited. Subsequent to this, a share price agreement reflecting the consideration determined for each company was entered into separately between the buyer and the seller. The consideration paid for each company acquired was then compared to the net assets acquired to arrive at the goodwill of each CGU.

During the year under review, the management of Harvest Technology p.l.c. conducted an exercise which was aimed at determining whether certain changes that have taken place since the acquisition of the two CGUs effect the allocation of goodwill that was conducted at the time of acquisition. Whilst noting that there were no changes in the operations of both APCO Limited and APCO Systems Limited, pre-and post-acquisition, management noted that certain administrative recharges that used to be made from APCO Limited to APCO Systems Limited up to the date of acquisition were no longer being recharged post-acquisition. These recharges of administrative expenses, on average, amounted to € 86,400 per annum.

Although the total cash generation capabilities of both CGUs together remained unchanged, the termination of this recharge mechanism resulted in a change in the individual cash generation capabilities of the two CGUs. APCO Limited's cash generating capability from operations (or its EBITDA) is reduced by € 86,400 per annum whereas the EBITDA of APCO Systems is increased by the same amount.

Taking the above into consideration it has been determined that goodwill amounting to € 503,650 should be reallocated between the two CGUs, that is APCO Limited's goodwill should decrease by € 503,650 and conversely, APCO Systems' goodwill should increase by the same amount, as shown below:

	APCO Limited	APCO Systems Limited	Total
	€	€	€
Goodwill recognised up to 31 December 2019	2,671,762	3,357,248	6,029,010
Reallocation	(503,650)	503,650	-
Goodwill at 31 December 2020	2,168,112	3,860,898	6,029,010

Consequently, at 31 December 2020, goodwill was allocated as follows:

- € 3,860,898 (2019: € 3,357,248) to APCO Systems Limited which operates the electronic payment gateway.
- € 2,168,112 (2019: € 2,671,762) to APCO Limited which operates in the business of selling and maintenance of IT solutions and security systems.
- € 1,464,477 (2019: € 1,464,477) to PTL Limited business.

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 0.1%; and
- use of 14.2% (pre-tax) (2019: 11.2%) to discount the projected cash flows to net present values

During 2019, the directors recognised an impairment loss of € 289,388 (see note 15). 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 0.1% (2019: 0.26%); and
- use of 17.9% (pre-tax) (2019: 14.5%) 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 – IT Solutions and Security Systems

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

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

- forecasted cash flow projections for the next three years and projection of terminal value using the perpetuity method;
- growth rates to perpetuity of 0.1% (2019: 0.26%); and
- use of 14.8% - 25.6% (pre-tax) (2019: 13.9% - 17.1%) to discount the projected cash flows to net present values

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

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, Poland and the UK as a whole. Furthermore the directors consider that the acquired STS business is closely linked to the STS operations in Malta and taking advantage of a number of synergies which are being experienced around the following areas:

- Package offering where Carmelo Caruana Company Limited and STS Marine Solutions Ltd are in a better position to offer a single package to STS clients acting as one stop shop. This also brings a number of opportunities to cross-sell other services for vessel owners;
- Carmelo Caruana Company Limited through its STS function and agency can work closely and share market intelligence with STS Marine Solutions Ltd leading to the introduction of new contacts thereby increasing market share;
- Pricing and joint marketing can target a wider spectrum of clients; and
- Sharing of market intelligence as well as resources will automatically bring along opportunities for cost savings and avoidance of being out-priced in a particular territory.

Through the group's long standing relationship and the joint venture with CMA CGM Malta agency, the Hili Logistics group can now look into other areas for collaboration, complimentary to the current services including services relating to ship spares, customs clearance and other ancillary husbandary services.

In view of the above, 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 0.1%; and
- use of 10.4% - 12.7% (pre-tax) (2019: 10.4% - 14.1%) to discount the projected cash flows to net present values

During 2020, as part of this CGU's restructuring exercise, Carmelo Caruana Freeport Operations Limited, CCFO Malta Limited and Global Parcels Limited merged with Carmelo Caruana Company Limited.

Following a review of the carrying amount of this CGU by the directors during 2020, the directors have concluded that no impairment is necessary. An impairment charge of € 3,500,000 on the carrying amount of this CGU was recognised for the year ended 31 December 2019 (see note 15).

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 4.4).

5 Segment reporting

The group operates four (2019: four) 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 three principal geographical areas - Malta (country of domicile), U.K. and Poland. The sale of payment processing services and the provision of IT solutions and security systems are derived mainly 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, U.K. and in Poland.

During 2020, the group also generated revenue amounting to € 4,119,615 from a significant contract in Mauritius for the implementation of a border security solution system (refer to note 6). This revenue is included in the IT solutions and security systems segment.

In 2020 and 2019, 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 plant and equipment amounted to € 11,689,473 (2019: € 12,177,049) and € 10,056,907 (2019: € 5,610,785), 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 4.

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

Profit and loss before tax

	2020	2019
	€	€
Total profit for reportable segments	7,472,416	4,996,240
Unallocated amounts:		
Interest expense	(2,185,489)	(1,464,086)
Other unallocated amounts	(985,087)	(490,279)
	4,301,840	3,041,875

Assets

	2020	2019
	€	€
Total assets for reportable segments	93,721,442	113,872,917
Elimination of receivables	(69,008,703)	(95,953,695)
Unallocated amounts:		
Goodwill	61,690,558	50,977,994
Intangible assets	10,140,355	10,853,223
Plant and equipment	1,968,093	1,968,312
Right-of-use assets	208,944	447,219
Loans and receivables	31,309,188	40,881,758
Deferred tax assets	410,470	144,738
Trade and other receivables	1,881,222	2,104,257
Cash and cash equivalents	661,779	10,928,860
Current tax assets	1,253,782	827,233
Other unallocated amounts	1,254,429	222,344
	135,491,559	137,275,160

Liabilities

	2020	2019
	€	€
Total liabilities for reportable segments	71,806,127	88,801,541
Elimination of liabilities	(38,899,233)	(63,424,411)
Unallocated amounts:		
Debt securities in issue	35,677,368	35,596,464
Other financial liabilities	20,017,785	29,155,871
Lease liabilities	193,096	460,190
Deferred tax liabilities	371,910	404,709
Trade and other payables	750,450	1,218,023
	89,917,503	92,212,387

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
	€	€	€	€	€	€	€	€
2020								
Revenue	111,033,408	7,796,063	12,987,177	23,818,894	155,635,542	899,186	(6,800,623)	149,734,105
Profit before tax	1,819,008	4,014,045	977,378	661,985	7,472,416	744,033	(3,914,609)	4,301,840
Depreciation and amortisation	3,975,940	402,436	391,435	149,610	4,919,421	39,640	(36,332)	4,922,729
Segment assets	63,704,393	4,911,707	8,081,387	17,023,955	93,721,442	141,586,985	(99,816,868)	135,491,559
Capital expenditure	1,084,173	360,060	73,230	6,973,432	8,490,895	17,578	-	8,508,473
Segment liabilities	44,121,370	2,723,732	6,547,846	18,413,179	71,806,127	56,542,231	(38,430,855)	89,917,503
Income tax expense	559,410	1,404,915	233,024	120,084	2,317,433	246,442	(1,681,205)	882,670
2019								
Revenue	106,877,066	6,138,051	11,304,096	16,088,378	140,407,591	1,988,536	(7,498,321)	134,897,806
Profit before tax	664,530	3,069,199	623,027	639,484	4,996,240	4,382,770	(6,337,135)	3,041,875
Depreciation and amortisation	4,523,068	348,334	359,769	181,457	5,412,628	110,020	(38,041)	5,484,607
Segment assets	93,446,688	4,077,031	8,991,426	7,357,772	113,872,917	122,129,191	(98,726,948)	137,275,160
Capital expenditure	955,272	347,458	28,830	58,587	1,390,147	3,376	-	1,393,523
Segment liabilities	73,516,755	2,348,186	8,202,239	4,734,361	88,801,541	66,315,987	(62,905,141)	92,212,387
Income tax expense	275,022	1,047,613	229,248	208,309	1,760,192	1,092,463	(1,417,259)	1,435,396

6 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 2020	The group 2019	The company 2020	The company 2019
	€	€	€	€
Sale and distribution of Apple products	105,870,985	101,900,317	-	-
Sale of IT related products	6,387,691	6,164,804	-	-
Logistics and transport services	23,818,894	16,208,378	-	-
Rendering of services and development	4,168,186	2,494,701	-	-
Maintenance, support and servicing	3,143,946	3,198,077	-	-
Payment gateway services	6,224,403	4,931,529	-	-
Management fees	120,000	-	725,000	1,035,833
	149,734,105	134,897,806	725,000	1,035,833

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.

In 2020, sale and distribution of Apple products occurred in Poland (2019: 99%, with the remainder being sales which occurred in Romania through iSpot Romania which sold its business in 2019). IT related products comprises the sale of information technology systems, security systems and other sale of products related to the technology business and is generated mainly from the Maltese operations of the group, with some projects being executed internationally, including a significant project executed in Mauritius (non-EU) as disclosed in note 5. Logistics and transport services income is generated from Malta, UK and Poland with each contributing to the extent of 13%, 41% and 46% respectively (2019: Malta and Poland, 29% and 71% respectively). All other revenue included in the above analysis is generated from the Maltese operations.

Other information concerning the types of contracts and contract durations, as relevant, are provided in notes 4.11 and 34.

Revenue from sales under the above activities are direct sales to customers with only a very insignificant amount being generated through intermediaries.

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

	The group 2020	The group 2019
	€	€
Contract assets relating to rendering of services and development	1,523,001	129,135
Contract assets relating to commission income accrued on gateway	226,576	86,863
	1,749,577	215,998

During 2020, the group completed further project milestones in relation to a significant contract overseas for the implementation of border security software solutions in one of its subsidiaries. This gave rise to contract assets amounting to €1,460,982 on work completed and still not invoiced by 31 December 2020. The group does not expect any loss allowances from any of its contract assets, as these are due from customers with no history of losses and which are considered of good credit quality, including amounts receivable on the Mauritius project. The assessment of credit losses on balances at 31 December 2020 and 2019 did not result in any material amount and considered by management to be insignificant.

Furthermore, management does not expect any significant impact on contract assets arising from the Covid-19 effects on business following an assessment of financial assets as explained in note 42.2.

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 2020:

	2021 €	2022 €	2023 €	Later €
Sale of goods	427,057	168,057	-	-
Consulting services and development	1,298,773	-	-	-
Maintenance and servicing	1,759,445	1,423,036	1,189,175	29,384
Logistics and transport services	2,194,789	2,194,789	2,194,789	4,389,578
Total revenue expected to be recognised	5,680,064	3,785,882	3,383,964	4,418,962

The comparative information as at the end of the previous reporting period ending 31 December 2019 was as follows:

	2020 €	2021 €	2022 €	Later €
Sale of goods	4,638,714	599,656	-	-
Consulting services and development	657,858	-	-	-
Maintenance and servicing	1,240,013	1,123,281	1,263,833	2,657,617
Total revenue expected to be recognised	6,536,585	1,722,937	1,263,833	2,657,617

At the end of the current reporting period, included in the amounts of € 1,298,773 for revenue and consulting services and € 1,759,445 for maintenance and servicing that are expected to be recognised in 2021, € 1,039,900 and € 523,122 respectively pertain exclusively to revenue from the major overseas technology implementation project carried out by one of the group's subsidiary in collaboration with IBM in Mauritius.

For unsatisfied performance obligations on maintenance and servicing contracts expected to be recognised in 2022 and 2023, included in the amounts shown in the above table at 31 December 2020, € 704,986 and € 705,820 respectively also pertain exclusively to the major overseas technology implementation project as aforementioned. The remaining amounts relate to normal local operations for this type of income.

Revenue for unsatisfied long term performance obligations in relation to the sale of goods, comprise entirely of revenue tied to local contracts expected to be carried out in 2021 and 2022.

At the end of the previous reporting period revenue from the sale of goods amounting to € 4,638,714 in 2020 and € 599,656 in 2021 along with revenue generated from consulting services and development amounting to € 657,858 in 2020 pertained to revenue estimated to be recognised from a major overseas technology implementation project initiated at the end of 2019 and carried out in collaboration with IBM. Most of the revenue expected to be recognised in 2020 was invoiced according to expectations. In addition, at 31 December 2019, the revenue from maintenance and servicing expected to be recognised from 2020 onwards included revenue from normal local operations on maintenance contracts and as from 2021 onwards also on overseas maintenance contracts.

7 Other operating income

	The group 2020 €	The group 2019 €	The company 2020 €	The company 2019 €
Other operating income	261,323	154,726	-	12,960
	261,323	154,726	-	12,960

8 Investment income

	The group 2020 €	The group 2019 €	The company 2020 €	The company 2019 €
Other interest income	-	427	-	-
Interest income from ultimate parent	99,996	273,817	-	-
Interest income from other related parties	16,433	21,111	676,544	732,049
Dividends from subsidiaries	-	-	1,280,250	1,456,345
Gain on disposal of shares in subsidiary	-	5,881,742	-	5,881,742
	116,429	6,177,097	1,956,794	8,070,136
	The group 2020 €	The group 2019 €	The company 2020 €	The company 2019 €
Comprising:				
Investment and other income	116,429	295,355	1,956,794	2,188,394
Gain on disposal of shares in subsidiary	-	5,881,742	-	5,881,742
	116,429	6,177,097	1,956,794	8,070,136

During 2019, the Board of Directors of 1923 Investments p.l.c. decided to offer of 9,112,256 ordinary shares representing 40% of the issued share capital in Harvest Technology p.l.c. with a nominal value of € 0.50 each at an offer price of € 1.50 per ordinary share to the public pursuant to a prospectus dated 18 November 2019.

The offer period closed on 12 December 2019 and applications for a total value of 6,846,733 shares were submitted by authorised financial intermediaries representing 30% of the issued share capital of Harvest Technology p.l.c.

9 Finance costs

	The group 2020 €	The group 2019 €	The company 2020 €	The company 2019 €
Interest on bank borrowings	164,690	358,023	56,994	23,274
Interest on bonds	1,836,000	1,836,000	1,836,000	1,836,000
Interest expense for leasing arrangements	375,920	430,170	-	-
Other interest payable	222,990	104,153	-	-
Intra-group interest payable	533,710	109,722	780,874	787,660
Other finance costs	268,120	11,266	299,644	-
Unrealised exchange losses	579,671	-	658,284	-
Amortisation of bond issue costs	80,907	80,907	80,907	80,907
	4,062,008	2,930,241	3,712,703	2,727,841

The unrealised exchange losses of the company in 2020 relate to unrealised exchange differences on intercompany loans receivable from iSpot and denominated in Polish Zloty.

10 Profit (loss) before tax

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

	The group 2020 €	The group 2019 €	The company 2020 €	The company 2019 €
Depreciation and amortisation (notes 16 and 17)	2,016,834	2,243,195	2,060	1,846
Depreciation on right-of-use assets (note 18)	2,905,895	3,241,412	-	-
Net exchange differences	(484,685)	(158,809)	(658,284)	(93,712)

The analysis of the amounts that are payable to the auditors and that are required to be disclosed, are 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 € 74,885 (2019: € 71,584) and the remuneration payable to the other auditors in respect of the audits of the undertakings included in the consolidated financial statements amounted to € 40,351 (2019: € 39,769). Other fees payable to the parent company's auditors for non-audit services, namely the review of interim financial information performed at one of the subsidiaries within the group, tax services and other fees, amounted to € 36,150 (2019: € 11,656).

Holding company

Total remuneration payable to the parent company's auditors for the audit of the company's financial statements amounted to € 8,300 (2019: € 6,450). There are no other fees payable to the parent company's auditors for non-audit services other than other assurance services and tax advisory services.

11 Key management personnel compensation

	The group 2020 €	The group 2019 €	The company 2020 €	The company 2019 €
Directors' compensations				
<i>Short term benefits:</i>				
Fees	22,095	12,000	22,095	12,000
Management remuneration	1,861,245	1,578,147	475,185	580,092
	1,883,340	1,590,147	497,280	592,092
Directors' compensations				
<i>Short term benefits:</i>				
Salaries and social security contributions	354,708	637,892	-	-
Total key management personnel compensation				
Short term benefits	2,238,048	2,228,039	497,280	592,092

11.1 Share-based payments

On 24 October 2016, the company entered into an agreement by virtue of which a maximum of 10% of the issued shares in one of the group's subsidiaries were granted to one senior officer of that subsidiary. The option under this scheme vested immediately. The arrangement allowed the option holder to purchase one ordinary share having a nominal value of € 1.00 per share at a subscription price of € 1.36 per share. The options had to be exercised within eight years from the vesting date.

Separately but related to the above, the option holder was also entitled to receive 14,705 ordinary shares in that subsidiary per annum, starting from 2016, for no consideration to the officer in question, for as long as he continued to provide his services to the subsidiary. These shares were to be deducted from the share option entitlement referred to above. Up to 31 December 2018, the cost of this agreement with the option holder was recharged by the company to the subsidiary.

The option holder exercised the option in October 2019 to acquire the remaining shares from the company, to increase his holding to 10% of the subsidiary's equity and consequently, at the statement of financial position date, there were no further agreements in force with the option holder or with any other person.

The movements on the share options were as follows:

	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
Shares transferred in 2018	(14,705)
Outstanding at 31 December 2018	1,094,917
Shares transferred in 2019	(14,705)
Share options exercised	(1,080,212)
Outstanding at 31 December 2019	-

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 took 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

There was no further effect on the statements of profit or loss and other comprehensive income and statements of financial position for the current and comparative periods since the options have been exercised in 2019.

12 Employee remuneration

Expenses recognised for staff costs are analysed below:

	The group 2020 €	The group 2019 €	The company 2020 €	The company 2019 €
Wages and salaries	13,090,904	11,754,267	487,273	573,640
Social security costs	1,564,071	1,398,822	9,706	17,783
Maternity fund contributions	8,281	7,590	301	669
	14,663,256	13,160,679	497,280	592,092
Recharges from related parties	-	46,401	-	-
Capitalised wages	(336,536)	(277,038)	-	-
Recharges to related parties	(10,670)	(3,968)	-	-
	14,316,050	12,926,074	497,280	592,092

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

	The group 2020	The group 2019
Operations	443	418
Administration	124	100
	567	518

13 Tax expense

The major components of tax expense and the reconciliation of the expected tax expense (income) based on the effective tax rate of the group and the company at 35% (2019: 35%) and the reported tax expense (income) in the statements of profit or loss and other comprehensive income are as follows:

	The group 2020 €	The group 2019 €	The company 2020 €	The company 2019 €
Profit before tax	4,301,840	3,041,875	(2,366,750)	(608,741)
Tax rate	35%	35%	35%	35%
Expected tax expense (income)	1,505,644	1,064,656	(828,363)	(213,059)
Tax effect of:				
Different tax rates of subsidiaries operating in other jurisdictions	(442,124)	(93,248)	-	-
Adjustment for local tax credits	(13,903)	-	-	-
(Over) under provision of tax in prior year	(509,680)	22,634	(509,680)	-
Deferred tax not recognised	(117,143)	(120,458)	-	-
Adjustment for adoption of IFRS 15	-	-	-	-
Non-taxable income	(476,026)	(2,380,988)	-	(1,548,889)
Deferred tax asset movement	-	(479)	-	-
Effect of FRFTC	-	(751)	-	(751)
Loss on discontinued operations	-	3,034	-	-
Disallowed expenses	918,231	2,162,466	517,658	1,738,380
Loss on foreign investment	-	543,792	-	543,792
Unabsorbed tax losses	11,178	232,325	-	-
Permanent differences	6,493	2,413	-	(350)
Actual tax expense (income), net	882,670	1,435,396	(820,385)	519,123

	The group 2020 €	The group 2019 €	The company 2020 €	The company 2019 €
Comprising:				
Current tax expense	1,605,592	1,155,642	-	509,680
Foreign tax expense	88,806	-	-	-
Deferred tax expense (income)	(302,048)	279,754	(310,705)	9,443
Over provision of tax in prior year	(509,680)	-	(509,680)	-
	882,670	1,435,396	(820,385)	519,123

Refer to note 36 for information on the deferred tax movements of the group and the company.

14 Dividends

No dividend was declared and paid by the company during the year.

15 Goodwill

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

	The group €
At 1 January 2019	54,285,881
Effect of exchange differences on retranslation of goodwill on foreign subsidiaries	304,819
Amounts recognised on acquisition of a subsidiary within the group	176,681
Impairment of goodwill	(3,789,388)
At 31 December 2019	50,977,993
At 1 January 2020	50,977,993
Effect of exchange differences on retranslation of goodwill on foreign subsidiaries	(3,641,494)
Amounts recognised on acquisition of a subsidiary within the group	14,354,059
At 31 December 2020	61,690,558
Carrying amount	
At 31 December 2019	50,977,993
At 31 December 2020	61,690,558

On 30 April 2020, the group acquired STS Marine Solutions business from Teekay Tankers Limited for a consideration of € 24,784,537 (USD 26,955,663) which resulted in a goodwill of € 14,354,059.

During 2019, the group impaired in full the carrying amount of goodwill in one of its indirect subsidiaries that was operating in Romania amounting to € 289,388.

In addition, the assessment of the recoverability of the carrying amount of goodwill performed during 2019 also resulted in an impairment loss of € 3,500,000 arising on the logistics business.

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, 2017 and 2019 was based on the acquisition accounting principles.

During September 2019, the group acquired the entire share capital of CCFO Malta Limited as disclosed in note 20.1. The goodwill arising on this transaction amounted to € 176,681.

16 Intangible assets – The group

	€
Gross carrying amount	
At 1 January 2019	12,738,064
Additions	385,304
Disposals	(114,141)
Effect of foreign exchange differences	87,349
At 31 December 2019	<u>13,096,576</u>
At 1 January 2020	13,096,576
Additions	630,097
Disposals	(868)
Effect of foreign exchange differences	(731,311)
At 31 December 2020	<u>12,994,494</u>
	€
Amortisation	
At 1 January 2019	638,350
Provision for the year	328,126
Released on disposal	(34,876)
Effect of foreign exchange differences	(12,073)
At 31 December 2019	<u>919,527</u>
At 1 January 2020	919,527
Provision for the year	384,648
Released on disposal	(868)
Effect of foreign exchange differences	1,714
At 31 December 2020	<u>1,305,021</u>
Carrying amount	
At 31 December 2019	<u>12,177,049</u>
At 31 December 2020	<u>11,689,473</u>

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. Intangible assets were adjusted downwards by € 733,025 (2019: adjusted upwards by € 99,422) following the fluctuations of the Polish Zloty from the date of acquisition to the balance sheet date.

These intangible assets relate to:

- Apple Premium Reseller operations operating under the brand iSpot together with related contracts – € 10,132,245 (2019: € 10,853,223). 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 three years. Following the knowledge generated, the group re-assessed the remaining useful life of the asset to be ten 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.

17 Plant and equipment – The group

	Improvements to premises €	Equipment €	Motor vehicles €	Furniture, fixtures and fittings €	Total €
Cost					
At 1 January 2019	6,462,090	4,117,528	267,182	5,592,756	16,439,556
Additions	91,384	714,709	24,157	177,969	1,008,219
Disposals for the year	(303,323)	(480,578)	(49,047)	(190,223)	(1,023,171)
Effect of foreign currency exchange differences	2,815	(44)	776	(127)	3,420
At 31 December 2019	6,252,966	4,351,615	243,068	5,580,375	16,428,024
At 1 January 2020	6,252,966	4,351,615	243,068	5,580,375	16,428,024
Additions	88,920	614,818	57,067	259,811	1,020,616
Taken over upon acquisition of subsidiary	-	6,857,760	-	-	6,857,760
Disposals for the year	(117,753)	(630,430)	(17,742)	(1,121,460)	(1,887,385)
Effect of foreign currency exchange differences	(230,605)	(1,143,590)	(17,549)	(214,044)	(1,605,788)
At 31 December 2020	5,993,528	10,050,173	264,844	4,504,682	20,813,227
Depreciation					
At 1 January 2019	2,963,515	2,879,523	191,119	3,776,301	9,810,458
Charge for the year	550,157	676,829	44,335	643,748	1,915,069
Released on disposal	(337,317)	(398,013)	(23,937)	(153,903)	(913,170)
Effect of foreign currency exchange differences	3,187	612	469	614	4,882
At 31 December 2019	3,179,542	3,158,951	211,986	4,266,760	10,817,239
At 1 January 2020	3,179,542	3,158,951	211,986	4,266,760	10,817,239
Charge for the year	430,555	610,792	38,104	552,735	1,632,186
Released on disposal	(95,145)	(464,568)	(17,742)	(996,281)	(1,573,736)
Taken over upon acquisition of subsidiary	-	322,398	-	-	322,398
Effect of foreign currency exchange differences	(149,702)	(92,765)	(12,439)	(186,861)	(441,767)
At 31 December 2020	3,365,250	3,534,808	219,909	3,636,353	10,756,320
Carrying amount					
At 31 December 2019	3,073,424	1,192,664	31,082	1,313,615	5,610,785
At 31 December 2020	2,628,278	6,515,365	44,935	868,329	10,056,907

17 Plant and equipment – The company

	€
Gross carrying amount	
At 1 January 2019	4,000
Additions	3,376
At 31 December 2019	7,376
At 1 January 2020	7,376
Additions	1,490
At 31 December 2020	8,866
Depreciation	
At 1 January 2019	1,000
Provision for the year	1,846
At 31 December 2019	2,846
At 1 January 2020	2,846
Provision for the year	2,060
At 31 December 2020	4,906
Carrying amount	
At 31 December 2019	4,530
At 31 December 2020	3,960

The depreciation charge was included in administrative expenses.

18 Right-of-use assets – The group

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

	Buildings €	Motor vehicles €	IT equipment €	Total €
Gross carrying amount				
Adjustment on transition to IFRS 16 at 1 January 2019	12,960,802	450,364	48,110	13,459,276
Additions	-	76,633	-	76,633
At 31 December 2019	12,960,802	526,997	48,110	13,535,909
At 1 January 2020	12,960,802	526,997	48,110	13,535,909
Additions	1,888,266	23,691	-	1,911,957
Termination of leases	(208,323)	(10,013)	-	(218,336)
Foreign currency exchange differences	(715,091)	(643)	-	(715,734)
At 31 December 2020	13,925,654	540,032	48,110	14,513,796
Depreciation				
Provision for the year	3,079,535	127,038	34,839	3,241,412
At 31 December 2019	3,079,535	127,038	34,839	3,241,412
At 1 January 2020	3,079,535	127,038	34,839	3,241,412
Provision for the year	2,787,133	108,198	10,564	2,905,895
Foreign currency exchange differences	(185,717)	(257)	(2,314)	(188,288)
At 31 December 2020	5,680,951	234,979	43,089	5,959,019
Carrying amount				
At 31 December 2019	9,881,267	399,959	13,271	10,294,497
At 31 December 2020	8,244,703	305,053	5,021	8,554,777

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

The group has elected to disclose right-of-use assets separately in these financial statements. The information pertaining to the gross carrying amount, depreciation recognised during the year and other movements in right-of-use assets is included in the above table. Information pertaining to lease liabilities and their corresponding maturities are disclosed separately in note 19. Information about the accounting policy for the measurement and recognition of leases is disclosed in note 4.21.

The weighted average incremental borrowing rates applied to lease liabilities recognised under IFRS 16 was 3% on leases in Poland for the retail and IT solutions and 3.93% on leases in Malta and Poland for all other operations. Additions to right-of-use assets during the current reporting period amounting to € 135,422 have been recognised using the rate of 3.93% as these were additions for leases in Malta and there were no changes in such rate on the date when the new leases came into effect. Additions amounting to € 1,752,844 made during the year comprise of additions in the Apple retail business in Poland at a rate of 3.93%. The incremental borrowing rate will be re-assessed every time a new lease is entered into by the group and the corresponding right-of-use asset recognised. New leases are assessed on a case-by-case basis.

Most of the buildings leased by the group in Malta and the logistics business in Poland had similar remaining lease terms and utilised in a similar economic and commercial environment. For leases of the outlets pertaining to the retail and IT solutions in Poland, the group has applied the discount rate of 3.93% applicable for each lease agreement and according to the lease duration due to the number of outlets occupied by this division in that country.

In addition, the group has financed all of its obligations internally and has therefore not been subject to market fluctuations in the interest rate from its borrowings with third-parties. The group does not expect these rates to vary significantly in the foreseeable future. Motor vehicles and IT equipment classified under right-of-use assets, are not considered by the group to be significant and therefore their initial measurement was not subject to a high degree of uncertainty.

19 Leases – The group

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

	2020 €	2019 €
Current:		
Lease liability	2,302,930	2,958,319
Non-current:		
Lease liability	6,536,682	7,541,426
	8,839,612	10,499,745

The group has leases for its buildings, motor vehicles and IT equipment. With the exception of short-term leases and variable lease payments, each lease is included in the statement of financial position as a right-of-use asset and a lease liability. The group does not have any leases of low-value underlying assets which do not depend on an index or a rate (such as lease payments based on a percentage of group sales). The company classifies its right-of-use assets in a consistent manner to its plant and equipment as applicable.

Each lease generally imposes a restriction that, unless there is a contractual right for the group to sublet the asset to another party, the right-of-use asset can only be used by the group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. The group is prohibited from selling or pledging the underlying leased assets as security. For leases over buildings, the group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the group must insure items under lease and incur maintenance fees on such items in accordance with the lease contracts.

The range of the remaining lease term of the group's buildings is 1 - 9 years, whilst the range of the remaining lease term of both motor vehicles and IT equipment is 1 - 4 years.

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 December 2020 were as follows:

	Minimum lease payments			Total €
	Not later than one year €	Later than one year but not later than five years €	Later than five years €	
31 December 2020				
Lease payments	3,042,924	6,323,508	831,307	10,197,739
Finance charges	(739,994)	(572,095)	(46,038)	(1,358,127)
Net present values (note 38)	2,302,930	5,751,413	785,269	8,839,612

Further to the above, note 38 details changes in the company's and the group's liabilities arising from financing activities including both cash and non-cash changes.

Future minimum lease payments at 31 December 2019 were as follows:

	Minimum lease payments			Total €
	Not later than one Year €	Later than one year but not later than five years €	Later than five years €	
31 December 2019				
Lease payments	3,295,785	7,043,748	1,167,476	11,507,009
Finance charges	(337,466)	(600,872)	(68,926)	(1,007,264)
Net present values	2,958,319	6,442,876	1,098,550	10,499,745

Lease payments not recognised as liabilities

One of the Maltese subsidiaries has a short-term lease with a third party for the use of warehousing space in Malta. The contract is renewable every year and can be terminated by either of the parties with a short period of notice. As a result, management considers this lease to be a short-term lease for the purposes of IFRS 16. Payments made under short term leases are expensed on a straight-line basis.

The group also leases certain properties in Poland whereby it is committed to pay monthly payments to lessors based on the sales of each particular shop. This is considered as variable lease payments and therefore not permitted to be recognised a lease liability and is expensed as incurred.

The lease expense recognised in the consolidated statement of profit or loss and other comprehensive income of the group for the year is as follows:

	2020 €	2019 €
Short-term leases of warehouse	219,901	59,984
Variable lease payments	265,978	210,292
	485,879	270,276

20 Investment in subsidiaries

20.1 The company

	2020	2019
	€	€
At 1 January	55,332,577	64,910,308
Additions through the setting up of new companies	11,500,000	-
Transfer through non-cash consideration	(11,500,000)	-
Additions as a result of increase in share capital of subsidiary	11,500,000	-
Impairment	-	(4,730,637)
Disposals	-	(4,847,094)
At 31 December	66,832,577	55,332,577

On 19 September 2019, the company acquired the entire share capital of CCFO Malta Limited and consequently this associate was transferred as an investment in subsidiaries.

In 2019, the company made disposals of shares held in Harvest Technology p.l.c. as disclosed in notes 8 and 11.

On 21 May 2019, the company (indirectly through Harvest Technology p.l.c.) sold all of its investment in Eunoia Limited to third parties outside the group. As a result, Eunoia Limited ceased to be a subsidiary of the group as at that date.

The impairment of € 4,730,637 during 2019 comprised of an amount of € 3,500,000 relating to the company's holdings in Hili Logistics Limited and an amount of € 1,230,637 relating to the company's investment in the subsidiary in Romania.

During 2020, the company constituted two subsidiaries, STS Marine Solutions Limited and Carmelo Caruana Marine Solutions Limited with an initial investment of € 11,000,000 and € 500,000 respectively. The purpose of these companies was for the acquisition of the STS business by the group (refer to note 15).

On 20 November 2020, the company transferred its investment in STS Marine Solutions Limited and Carmelo Caruana Marine Solutions Limited to Hili Logistics Limited, one of the direct subsidiaries of the group.

The transfer of € 11,500,000 as disclosed above was effected through a non-cash consideration transfer of investments which was also reflected as a corresponding increase in the share capital of Hili Logistics Limited.

20.2 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
		2020	2019		2020	2019	
		%	%		%	%	
Harvest Technology p.l.c	Malta	62.95	62.95	Direct	62.95	100	Holding company
iSpot Poland Sp. z o.o	Poland	100	100	Direct	100	100	Sale of retail and IT solutions
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

Name of subsidiary	Place of incorporation	Proportion ownership interest		Holding	Portion voting power held		Principal activity
		2020 %	2019 %		2020 %	2019 %	
APCO Limited	Malta	100	100	Indirect	100	100	Sale of IT solutions and security systems
APCO Systems Limited	Malta	100	100	Indirect	100	100	Payment processing services
SAD Sp. z o.o	Poland	100	100	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
Carmelo Caruana Company Limited (CCCL)	Malta	100	100	Indirect	100	100	Warehousing and ship-to-ship operations
Carmelo Caruana Freeport Operations Limited (merged with CCCL)	Malta	N/A	100	Indirect	N/A	100	Transshipment and storekeeping
CCFO Malta Limited (merged with CCCL)	Malta	N/A	100	Indirect	N/A	100	Transshipment and storekeeping
Global Parcels Limited (merged with CCCL)	Malta	N/A	100	Indirect	N/A	100	Parcel delivery service
STS Marine Solutions Limited	Jersey	100	N/A	Indirect	100	N/A	Holding company
Carmelo Caruana Marine Solutions Limited	UK	100	N/A	Indirect	100	N/A	Holding company
STS Marine Solutions (UK) Limited	UK	100	N/A	Indirect	100	N/A	Backoffice services
STS Marine Solutions (Bermuda) Limited	Bermuda	100	N/A	Indirect	100	N/A	Ship-to ship operations
SPT Marine Transfer Services Limited	Bermuda	100	N/A	Indirect	100	N/A	Terminal management
Guardian L.L.C.	Marshall Islands	100	N/A	Indirect	100	N/A	Operation of vessel
Allcom Sp. z o.o.	Poland	100	100	Indirect	100	100	Shipping and freight forwarding

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	
		2020	2019	2020	2019
		€	€	€	€
Harvest Technology p.l.c	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta	12,073,378	11,585,011	1,809,807	1,095,432
iSpot Poland Sp. z o.o	UL. Pulawska 2, 02-566 Warsaw, Poland	19,842,912	20,192,468	1,137,979	586,515
iSpot Premium Romania	1st District, 246 B Floreasca street, Shopping Centre Promenada, first floor Unit no. 1F-055, Bucharest, Romania	(335,510)	(335,510)	-	(86,688)
Hili Logistics Limited	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta	34,372,508	22,638,362	234,146	(3,691,059)

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
Ipsyon Ltd	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta
Carmelo Caruana Company Limited (CCCL)	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta
Carmelo Caruana Freeport Operations Limited (merged with CCCL)	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta
Global Parcels Limited (merged with CCCL)	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta
Allcom Sp. z o.o.	ul. Mariacka 9, 81-383 Gdynia, Poland
CCFO Malta Limited (merged with CCCL)	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta
STS Marine Solutions (UK) Limited	1, The Cloisters, Sunderland, Tyne & Wear, United Kingdom, SR2 7BD
Carmelo Caruana Marine Solutions Limited	c/o Squire Patton Boggs (UK) LLP (Ref: CSu), Rutland House, 148 Edmund Street, Birmingham B3 2JR
STS Marine Solutions Limited	PO Box 536, 13-14, Esplanade, St. Helier, Jersey JE4 5UR
STS Marine Solutions (Bermuda) Limited	Appleby, Canon's Court, 22 Victoria Street, Hamilton, Bermuda, HM 12
SPT Marine Transfer Services Limited	Appleby, Canon's Court, 22 Victoria Street, Hamilton, Bermuda, HM 12
Guardian L.L.C.	Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, MH96960, Marshall Islands

21 Investments accounted for using the equity method

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

	The group 2020 €	The group 2019 €
Investment in associates	496,191	270,678
Investment in joint ventures	965,831	907,996
	1,462,022	1,178,674

21.1 Investment in associates

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

	The group 2020 €	The group 2019 €
At 1 January	270,678	107,950
Share of profits and losses	421,513	246,028
Dividends from associate	(196,000)	(83,300)
At 31 December	496,191	270,678

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	
	2020	2019	2020	2019	2020	2019
	%	%	€	€	€	€
CMA CGM Agency Malta Ltd	49	49	1,017,538	557,309	860,230	506,890

The net accumulated interest in the net assets of CMA CGM Agency Malta Limited amount to € 496,191 and as at 31 December 2020 (2019: € 270,678).

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

21.2 Investment in joint ventures

	The group 2020 €	The group 2019 €	The company 2020 €	The company 2019 €
At 1 January	907,996	800,439	682,375	682,375
Share of profits and losses	57,835	107,557	-	-
At 31 December	965,831	907,996	682,375	682,375

The group has joint venture investments in iCentre Hungary Kft and Hili Salomone Company Limited through Harvest Technology p.l.c. as follows:

Name of company	Proportion of ownership interest		Capital and reserves at 31 December		Profit/(loss) for the year ended 31 December	
	2020	2019	2020	2019	2020	2019
	%	%	€	€	€	€
Hili Salomone Company Limited	50	50	(3,200)	(3,200)	-	-
iCentre Hungary Kft	50	50	904,974	901,159	115,670	215,114

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

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 2020 €	The group 2019 €
Carrying asset amount	965,831	907,996
Group's share of total profit / total comprehensive income	57,835	107,557

Included in the investment in joint ventures, is an investment of € 965,831 (2019: € 907,996) pertaining to the investment in iCentre Hungary Kft. A summary of the financial information of this joint venture is set out below:

	The group 2020 €	The group 2019 €
Current assets	3,387,094	4,608,615
Non-current assets	620,243	637,285
Current liabilities	(3,102,035)	(4,344,741)
Net assets	905,302	901,159
Revenue	11,611,346	14,590,518
Expenses	(11,495,676)	(14,375,404)
Profit for the year (net of tax)	115,670	215,114
Group's share of total profit / total comprehensive income	57,835	107,557

22 Other investment

	The group 2020 €	The group 2019 €
As at 1 January and 31 December	50,000	50,000

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

23 Loans and receivables

	The group 2020 €	The group 2019 €	The company 2020 €	The company 2019 €
Loans receivable from ultimate parent	411,832	1,919,796	210	1,852,796
Loans receivable from subsidiaries	-	-	30,486,193	37,565,396
Loans receivable from other related parties	246,577	7,384,269	116,974	111,977
Other receivables	1,719,795	1,430,604	-	-
	2,378,204	10,734,669	30,603,377	39,530,169

Comprising:

Non-current

Loans receivable from ultimate parent	-	830,652	-	763,652
Loans receivable from subsidiaries	-	-	26,091,177	33,965,396
Loans receivable from other related parties	126,742	122,560	-	111,977
Other receivables	1,719,795	1,430,604	-	-
	1,846,537	2,383,816	26,091,177	34,841,025

Current

Loans receivable from ultimate parent	411,832	1,089,144	210	1,089,144
Loans receivable from subsidiaries	-	-	4,395,016	3,600,000
Loans receivable from other related parties	119,835	7,261,709	116,974	-
	531,667	8,350,853	4,512,200	4,689,144

Loans issued to ultimate parent, subsidiaries, other related parties and associate bear an interest of 4.5% (2019: 4.5%) per annum. Though these loans have no fixed date for repayment, they are not expected to be realised within 12 months of the end of the reporting year.

24 Inventories

	The group 2020 €	The group 2019 €	The company 2020 €	The company 2019 €
Contracts in progress	821,626	1,652,606	-	-
Finished goods and goods held for resale	8,870,374	9,823,831	-	-
	9,692,000	11,476,437	-	-

The amount of inventories recognised as an expense during the year amounted to € 96,845,677 (2019: € 93,800,756).

Write-downs of inventories recognised in the consolidated statement of profit or loss and other comprehensive income during the year amounted to € 275,187 (2019: € 35,041) and are included with cost of sales.

25 Other assets

	The group 2020 €	The group 2019 €	The company 2020 €	The company 2019 €
Prepayments	1,013,114	1,444,414	25,868	3,819
	1,013,114	1,444,414	25,868	3,819

26 Trade and other receivables

Trade and other receivables consist of the following:

	The group 2020 €	The group 2019 €	The company 2020 €	The company 2019 €
Trade receivables – gross	8,671,624	8,626,471	-	-
Allowance for expected losses	(537,452)	(491,760)	-	-
Trade receivables – net	8,134,172	8,134,711	-	-
Amount owed by ultimate parent	16,025	654	-	-
Amounts owed by associates	383,250	512,067	-	-
Amounts owed by other related parties	1,428,486	1,500,457	-	-
Other receivables	436,065	38,342	21,380	26,069
Accrued income	400,144	360,530	150,000	137,500
Financial assets	10,798,142	10,546,761	171,380	163,569
Other receivables	1,818,460	1,258,490	200,000	190,515
Trade and other receivables – current	12,616,602	11,805,251	371,380	354,084

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

No interest is charged on trade and other receivables.

Amounts owed by ultimate parent, 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.

27 Cash and cash equivalents

Cash and cash equivalents include the following component:

	The group 2020 €	The group 2019 €	The company 2020 €	The company 2019 €
Cash and bank balances	11,380,270	18,933,855	416,990	10,624,983
Cash and cash equivalents in the statements of financial position	11,380,270	18,933,855	416,990	10,624,983
Bank overdrafts	(4,719,247)	(4,554,467)	-	-
Cash and cash equivalents in the statements of cash flows	6,661,023	14,379,388	416,990	10,624,983

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.

28 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.

	2020 €	2019 €
Shares issued and fully paid at 31 December		
49,575,000 ordinary shares of € 1 each	49,575,000	49,575,000
	49,575,000	49,575,000
Shares authorised at 31 December		
70,000,000 ordinary shares of € 1 each	70,000,000	70,000,000

29 Other equity

	The group 2020 €	The group 2019 €	The company 2020 €	The company 2019 €
Loan from parent company	(2,560,000)	-	(2,560,000)	-
Other equity	4,741,736	4,741,736	(154,629)	(154,629)
Total other equity	2,181,736	4,741,736	(2,714,629)	(154,629)

On 30 December 2013, the company, through its direct subsidiary, Harvest Technology p.l.c., 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 p.l.c. 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 € 1,754,051 reduction in share premium took effect and was eliminated against losses.

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.

The group and the company also recognised a total amount of € 154,629 with other equity representing the value of services provided by an officer of the group during 2018 and 2017.

Included with other equity of the group and the company at 31 December 2020, is an amount of € 2,560,000 advanced by the parent company, Hili Ventures Limited, during the year. This amount is earmarked for capitalisation during 2021 and as a result, has been included with equity at the end of the reporting period.

In connection with such loan, on 15 December 2020, the shareholders approved the issue and allotment of two million and five hundred and sixty thousand (2,560,000) Ordinary shares of one € 1 each, fully paid up, through the capitalization of a loan payable by the company for the same amount. This process was still in progress at the end of the year and the directors expect the capitalisation of the said amount to be concluded during 2021.

30 Translation reserve

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

The movement for the year was mainly attributable to a significantly weaker Polish Zloty (PLN) against the euro closing at PLN 4.5597 at 31 December 2020 (2019: PLN 4.2501) and a weaker US Dollar (USD) against the euro of USD 1.2271 at 31 December 2020 (at date of acquisition of the STS business on 30 April 2020: USD 1.0876). This resulted in a negative impact of € 4,978,238 (2019: positive impact of € 294,815).

31 Debt securities in issue

	The group 2020 €	The group 2019 €	The company 2020 €	The company 2019 €
5.1% unsecured bonds redeemable 2024	35,677,368	35,596,464	35,677,368	35,596,464
	35,677,368	35,596,464	35,677,368	35,596,464

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 € 322,629 (2019: € 403,536) 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 € 36,536,400 (2019: € 36,540,000).

32 Borrowings

	The group 2020 €	The group 2019 €	The company 2020 €	The company 2019 €
Bank overdrafts	4,719,247	4,554,467	-	-
Bank loans	2,398,570	200,000	2,106,373	-
	7,117,817	4,754,467	2,106,373	-
Comprising:				
Non-current liabilities				
Bank loans	1,811,780	100,000	1,811,780	-
	1,811,780	100,000	1,811,780	-
Current liabilities				
Bank overdrafts	4,719,247	4,554,467	-	-
Bank loans	586,790	100,000	294,593	-
	5,306,037	4,654,467	294,593	-

Bank overdrafts and loans are repayable as follows:

	The group 2020 €	The group 2019 €	The company 2020 €	The company 2019 €
On demand or within one year	5,306,037	4,654,467	294,593	-
Second to fifth year	1,285,714	100,000	1,285,714	-
More than five years	526,066	-	526,066	-
	7,117,817	4,754,467	2,106,373	-

One of the subsidiaries of Harvest Technology p.l.c. had a bank loan as at 31 December 2019 amounting to €200,000 which bore an interest rate of 3.5% per annum. This bank loan was repaid in full during 2020. It was secured by a first general hypothec over all present and future assets of the company and by an assignment of royalties for a minimum amount of € 380,000.

Another subsidiary of Harvest Technology p.l.c. had a facility of USD 1,000,000. The subsidiary had utilised an amount of € 739,456 from this facility. At 31 December 2020, the outstanding loan from this facility amounted to € 292,197 and included in the balance of bank loans above. The loan bears interest of 2.5% per annum over 3-month LIBOR and is secured by a first general hypothec over the subsidiary's assets and a guarantee by Harvest Technology p.l.c. The loan was fully repaid by the end of January 2021.

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

During 2020, 1923 Investments p.l.c. obtained a loan with a local bank for € 2,250,000. At 31 December 2020, the balance of the loan amounted to € 2,106,373 and included with the balance of bank loans above. The loan is payable by quarterly installments of € 91,045, bears interest at 3.75% plus 3 month Euribor per annum and repayable in full within 7 years of drawdown. This loan is unsecured and ranks with priority to all other general creditors of the company.

The group's other overdraft facilities in Malta bear effective interest at a floating rate of 5.09% (2019: 5.14%) per annum. These are secured by first and second general and special hypothecary guarantees over the assets of Carmelo Caruana Company Limited.

The group's overdraft facility in Poland for Allcom Sp. z.o.o. bears variable interest rate of 1.7% (2019: 3.13%) per annum. It is secured on the bank guarantee issued by Bank Gospodarstwa Krajowego from de minimis support.

The group's banking facilities for iSpot Poland Sp. z.o.o. includes an overdraft facility of PLN 8,000,000 (€1,754,501) and Import Loan facilities of PLN 25,000,000 (€5,482,817) and a receivable financing of PLN 3,000,000 (€657,938).

The above facilities are secured by Hold Cover of €3,500,000 and corporate guarantees provided in favour of the suppliers of Apple products for an amount of PLN 72,000,000 (€15,790,513). Included within the PLN 72,000,000 there is PLN 6,000,000 guarantee line for rental payment of store outlets up to one year. The above facilities are guaranteed by:

- Hili Ventures PLN 94,500,000 (€20,725,048);
- 1923 Investments p.l.c. PLN 49,500,000 (€ 10,855,977); and
- SAD Sp. z o.o. PLN 49,500,000 (€ 10,855,977).

33 Trade and other payables

	The group 2020 €	The group 2019 €	The company 2020 €	The company 2019 €
Trade payables	13,064,770	15,343,844	54,637	85,512
Amounts payable to related parties	400,074	57,663	-	-
Other payables	952,885	400,082	172,797	203,230
Accrued expenses	2,623,755	2,599,536	482,959	515,252
Financial liabilities	17,041,484	18,401,125	710,393	803,994
Other creditors	4,971,790	3,864,071	-	-
Deferred income	775,501	2,201,955	-	-
Trade and other payables	22,788,775	24,467,151	710,393	803,994
Comprising:				
Non-current payables				
Trade and other payables	185,927	543,826	-	-
Current payables				
Trade and other payables	22,602,848	23,923,325	710,393	803,994

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.

34 Contract liabilities

	The group 2020 €	The group 2019 €
Deferred service income on rendering of services and development	83,641	658,607
Deferred service income on maintenance, support and servicing	1,071,381	1,507,194
Deferred service income on other gateway income and access fees	88,518	109,999
Deferred service income on licences	71,706	26,821
	1,315,246	2,302,621

Deferred service income represents customer payments received or due in advance of performance (contract liabilities) that are expected to be recognised as revenue in 2021. As described in note 4.11, 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 group may occasionally have projects for consultancy and development of IT systems that span over more than 12 months.

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.

Deferred service income on licences is expected to be recognised as revenue in 2021.

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

With the exception of an amount of € 238,833 in deferred service income on maintenance and support still not yet recognised as revenue at 31 December 2020 and included with the balance at 31 December 2019, the remaining deferred service income at the end of the previous reporting period was recognised as revenue during the current year.

The corresponding amount of deferred service income on maintenance and support still not yet recognised as revenue at 31 December 2019 and included with the balance at 31 December 2018 amounted to € 388,430.

35 Other financial liabilities

	The group 2020 €	The group 2019 €	The company 2020 €	The company 2019 €
Amounts owed to ultimate parent	957,853	6,120,075	35,033	3,800,000
Amounts owed to joint venture	-	-	155,717	155,717
Amounts owed to other related parties	10,684,235	273,806	11,000,000	-
Amounts owed to subsidiaries	-	-	792,635	17,722,813
Amounts owed to a third party	-	6,000,000	-	-
	11,642,088	12,393,881	11,983,385	21,678,530
Comprising:				
Non-current liabilities				
Other financial liabilities	11,402,552	3,078,375	11,983,385	17,722,813
Current liabilities				
Other financial liabilities	239,536	9,315,506	-	3,955,717

The terms and conditions of amounts owed to the parent and other related parties are disclosed in note 40.

36 Deferred tax assets and liabilities

Deferred tax arising from temporary differences are summarised as follows:

The group	1 Jan 2020 €	Recognised in profit or loss €	31 Dec 2020 €
Deferred tax assets arising on:			
Plant and equipment	221,168	(17,044)	204,124
Unabsorbed capital allowances	114,900	10,567	125,467
Unabsorbed tax losses	92,103	45,734	137,837
Provisions	534,829	268,787	803,616
Other temporary differences	499,908	(163,068)	336,840
Total	1,462,908	144,976	1,607,884
Deferred tax liabilities arising on:			
Intangible assets	(273,072)	(19,279)	(292,351)
Plant and equipment	(436,098)	(10,760)	(446,858)
Provisions	(75,377)	(55,533)	(130,910)
Other temporary differences	(622,090)	242,644	(379,446)
Total	(1,406,637)	157,072	(1,249,565)

At 31 December 2020, the deferred tax asset recognised amounting to € 1.6 million (2019: € 1.46 million), comprises mainly of an amount of € 0.4 million (2019: € 0.3 million) arising in the Harvest Technology division and € 0.8 million (2019: € 1 million) in the iSpot division

With respect to the deferred tax asset balance arising in the Harvest Technology division, the group has sufficient information to conclude that this division has, or will be recovering most if not all, of the asset in the very near future as profitability remains strong, even with the onset of the Covid-19 pandemic.

With respect to the iSpot division, the results show significant growth in profitability, despite the pandemic, that re-assures the directors of the company that the deferred tax asset balance will be recovered in the foreseeable future. The directors also believe that the growth trajectory at iSpot will continue in the foreseeable future.

Deferred taxes for the comparative period 2019 can be summarised as follows:

	1 Jan 2019	Recognised in	De-recognised on	31 Dec 2019
	€	profit or loss	disposal of	€
		€	subsidiary	€
			€	
Deferred tax assets arising on:				
Plant and equipment	289,232	(70,650)	2,586	221,168
Unabsorbed capital allowances	65,568	65,963	(16,631)	114,900
Unabsorbed tax losses	308,457	(216,354)	-	92,103
Provisions	576,595	(41,766)	-	534,829
Other temporary differences	306,022	193,886	-	499,908
Total	1,545,874	(68,921)	(14,045)	1,462,908
Deferred tax liabilities arising on:				
Intangible assets	(273,072)	-	-	(273,072)
Plant and equipment	(370,597)	(65,501)	-	(436,098)
Provisions	-	(75,377)	-	(75,377)
Other temporary differences	(552,135)	(69,955)	-	(622,090)
Total	(1,195,804)	(210,833)	-	(1,406,637)

The company

	1 Jan 2020	Recognised in	31 Dec 2020
	€	profit or loss	€
		€	€
Deferred tax assets arising on:			
Unabsorbed capital allowances	645	776	1,421
Provisions	(32,799)	230,400	197,601
Plant and equipment	351	(56)	295
Unabsorbed tax losses	22,360	79,585	101,945
Total	(9,443)	310,705	301,262

Deferred taxes for the comparative period 2019 can be summarised as follows:

	1 Jan 2019	Recognised in	31 Dec 2019
	€	profit or loss	€
		€	€
Deferred tax assets arising on:			
Unabsorbed capital allowances	-	645	645
Plant and equipment	-	351	351
Unabsorbed tax losses	-	22,360	22,360
Total	-	23,356	23,356
Deferred tax liabilities arising on:			
Provisions	-	(32,799)	(32,799)
Total	-	(32,799)	(32,799)

See note 13 for information on the group's and company's tax expense.

37 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 (loss) before tax to arrive at operating cash flow:

	The group	The group	The company	The company
	2020	2019	2020	2019
	€	€	€	€
Adjustments:				
Depreciation and amortisation	2,016,834	2,243,195	2,060	1,846
Depreciation on right-of-use assets	2,905,895	3,241,412	-	-
Exchange differences	579,671	(158,809)	658,284	(93,712)
Bad debts written off	412,367	391,975	-	-
Goodwill written off	-	3,789,388	-	-
Bond amortisation costs	80,907	80,907	80,907	80,907
Movement in provision for doubtful debts	45,692	(390,371)	-	-
Other interest income	-	(427)	-	-
Related party interest income	(116,429)	(294,928)	-	-
Share of profit of associated undertakings	(421,513)	(246,028)	-	-
Gain on disposal of investment	-	(5,881,742)	-	(5,881,742)
Loss on termination of leases	30,048	-	-	-
Loss on sale of a subsidiary	-	58,363	-	-
(Profit) loss on disposal of intangibles and property, plant and equipment	(156,039)	79,265	-	-
Share of profits in joint ventures	(57,835)	(107,557)	-	-
Impairment of investment in subsidiaries	-	-	-	4,730,637
Inventory writeoffs and provision movements	424,955	119,897	-	-
Interest on leasing arrangements	375,920	430,170	-	-
Interest payable	2,757,390	2,419,164	2,673,868	2,646,934
Lease payments waived by lessors	(421,080)	-	-	-
Other finance costs	268,120	-	299,644	-
Dividends receivable	-	-	(1,280,250)	(1,456,345)
Interest income	-	-	(676,544)	(732,049)
	8,724,903	5,773,874	1,757,969	(703,524)
Working capital:				
Change in inventories	1,359,482	4,253,562	-	-
Change in trade and other receivables	2,955,806	1,113,199	(39,345)	105,096
Change in trade and other payables	(2,538,009)	(3,460,510)	(897,931)	90,377
Change in contract assets	(1,533,579)	630,508	-	-
Changes in contract liabilities	(987,375)	771,637	-	-
	(743,675)	3,308,396	(937,276)	195,473

38 Reconciliation of liabilities arising from financing activities

The table below details changes in the company's and the group'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 consolidated Statement of Cash Flows as cash from financing activities.

The group	Notes	Balance at 31 December 2019 €	Cash flows €	Other non- cash changes €	Balance at 31 December 2020 €
Leases	19	10,499,745	(3,526,930)	1,866,797	8,839,612
Bank loans	32	200,000	2,198,570	-	2,398,570
Amounts owed to other related parties	35	-	11,000,000	-	11,000,000
Amounts owed to a third party	35	6,000,000	(6,000,000)	-	-
		16,699,745	3,671,640	1,866,797	22,238,182

During 2020, the group recognised additional lease liabilities amounting to € 1,911,957. Total cash payments made on leases during the year amounted to € 3,526,930 (inclusive of interest). The interest expense during the year amounted to € 375,920. In addition, during 2020, the group obtained rent concessions from the landlords of its Apple retail stores in Poland amounting to € 421,080. In terms of the practical expedient allowed by the International Accounting Standards Board (IASB) to provide relief for lessees from lease modification accounting for rent concessions related to Covid-19, the group has recognised such concessions as a deduction against the net operating costs of the stores and included with cost of sales in the statement of profit or loss and other comprehensive income. The interest, together with the additions to leases recognised during the year, less the rent concessions allowed to the group, represent the non-cash movements of € 1,866,797 presented above for leases.

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

	Notes	Balance at 31 December 2018 €	Cash flows €	Other non- cash changes €	Balance at 31 December 2019 €
Leases	19	-	(3,466,334)	13,966,079	10,499,745
Bank loans	32	300,000	(100,000)	-	200,000
Amounts owed to a third party	35	6,000,000	-	-	6,000,000
		6,300,000	(3,566,334)	13,966,079	16,699,745

During 2019, the group adopted IFRS 16 and as a result recognised lease liabilities amounting to € 13,459,276 on 1 January 2019 and an additional € 76,633 during the same year. Cash payments made on leases amounted to € 3,466,334 (inclusive of interest). The interest expense during the year amounted to € 430,170. The interest, together with the adjustment upon initial recognition of IFRS 16, represent the non-cash movements of € 13,966,079 presented above for leases.

The company	Notes	Balance at 31 December 2019 €	Cash flows €	Other non- cash changes €	Balance at 31 December 2020 €
Bank loans	32	-	2,106,373	-	2,106,373
Amounts owed to other related parties	35	-	11,000,000	-	11,000,000
		-	13,106,373	-	13,106,373

The company did not have liabilities arising from financing activities during the comparative period ended 31 December 2019.

39 Business combinations

On 30 April 2020, the group acquired 100% interest in the ship-to-ship (STS) operations through the incorporation of two companies as disclosed in note 20.1. The 2020 consolidated financial statements include the combined results of the subsidiaries within the STS group from the date of acquisition.

The fair value of identifiable assets acquired and liabilities assumed at the date of acquisition of STS Marine Solutions Limited was:

	€
Cash and cash equivalents	1,509,407
Property, plant and equipment	6,535,362
Trade and other receivables	3,155,765
Other non-current assets	929,347
Trade and other payables	(1,555,995)
Tax liabilities	(143,408)
Fair value of assets and liabilities acquired	10,430,478
Goodwill arising on acquisition:	
Fair value of identifiable assets and liabilities acquired	10,430,478
Consideration transferred	24,784,537
	14,354,059

40 Related party transactions

1923 Investments p.l.c. is the parent company of the subsidiary undertakings highlighted in note 20. 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	2020			2019		
	Related party activity €	Total activity €	%	Related party activity €	Total activity €	%
Revenue:						
Related party transactions with:						
Ultimate parent company	57,069			56,071		
Other related parties	925,141			1,869,834		
	<u>982,210</u>	<u>149,734,105</u>	<u>1</u>	<u>1,925,905</u>	<u>134,897,806</u>	<u>1</u>
Cost of sales:						
Related party transactions with:						
Ultimate parent company	17,711			21,157		
Other related parties	980,743			1,049,766		
	<u>998,454</u>	<u>126,323,059</u>	<u>1</u>	<u>1,070,923</u>	<u>116,697,961</u>	<u>1</u>
Administrative expenses:						
Related party transactions with:						
Ultimate parent company	608,024			674,913		
Other related parties	317,711			1,877,815		
	<u>925,735</u>	<u>16,061,440</u>	<u>6</u>	<u>2,552,728</u>	<u>15,139,957</u>	<u>17</u>

The group (continued)	2020			2019		
	Related party activity €	Total activity €	%	Related party activity €	Total activity €	%
Investment income:						
Related party transactions with:						
Parent company	-			294,925		
Other related parties	20,619			-		
	20,619	116,429	18	294,925	295,355	99
Finance cost:						
Related party transactions with:						
Parent company	14,484			109,722		
Other related party	481,442			84,627		
	495,926	4,062,008	12	194,349	2,930,241	7
The company						
Revenue:						
Related party transactions with:						
Other related parties	725,000			1,035,833		
	725,000	725,000	100	1,035,833	1,035,833	100
Investment income:						
Related party transactions with:						
Subsidiaries	676,544			732,049		
Subsidiaries (dividends)	1,280,250			1,456,345		
	1,956,794	1,956,794	100	2,188,394	2,188,394	100
Administrative expenses:						
Related party transactions with:						
Ultimate parent company	600,000			660,000		
	600,000	1,335,841	45	660,000	2,269,192	29
Finance cost:						
Related party transactions with:						
Ultimate parent company	16,666			6,780		
Other related parties	764,208			780,878		
	780,874	3,712,703	21	787,658	2,727,841	29

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 company.

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 21. Key management personnel compensation is disclosed in note 11. Dividend income is disclosed in note 8.

The amounts due to/from other related parties at period-end are disclosed in notes 23, 26, 33 and 35. 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 23 are unsecured, bear interest at 4.5% (2019: 4.5%) per annum. The amounts due in note 26 are unsecured, interest free and repayable on demand.

The group's other financial liabilities disclosed in note 35 are unsecured, and € 11,000,000 (2019: € 2,343,660) bear interest at 6.5% (2019: 4.5%) per annum with the remaining balance being interest-free. The amount of € 11,000,000 is repayable by June 2022. The other amounts have no fixed date for repayment but 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 2020 and 2019, were unsecured. At 31 December 2020, an amount of € 11,000,000 bears interest at 6.5%, with the remaining amounts bearing interest at 4.5% per annum. The amount due of € 11,000,000 is repayable by June 2022. The other amounts are expected to be settled within twelve months after the end of the reporting period. All amounts due at the end of the previous reporting period by the company were expected to be repayable within twelve months after the end of the reporting period.

41 Contingent liabilities

At the end of the previous reporting period ended 31 December 2019, one of the group's subsidiaries under the Harvest Technology division had issued guarantees amounting to € 600,000 in relation to bank facilities granted to related undertakings. This guarantee was subsequently removed during the current year. In addition, during 2020, the same subsidiary issued special guarantees totalling € 1,394,000 (2019: € Nil) in favour of third parties in relation to the major overseas technology implementation project carried out in collaboration with IBM in Mauritius. The same subsidiary also had guarantees amounting to € 225,300 (2019: € 225,300) to third parties in Malta as collateral for liabilities.

One of the group's subsidiaries under the Apple retail business division in Poland signed an agreement with HSBC on line guarantees and letters of credit in the amount of € 26,646,490 (2019: € 23,844,202).

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 the amount of € 3,184,666 (2019: € 7,590,496) 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.

At 31 December 2020, the group had an overdraft facility through Allcom, one of its subsidiaries in Poland, as disclosed in note 33 which was secured on the perpetual usufruct of land and buildings in Bolszewo for a total of PLN 2,680,000, equivalent to € 587,758 (2019: PLN 2,680,000, equivalent to € 629,580).

Allcom has also provided a guarantee for a total of PLN 1,800,000, equivalent to € 394,763 (2019: PLN 6,000,000, equivalent to € 1,409,509) to the customs office in Poland, through a financial institution in the same country, to secure customs payments realised on behalf of its clients. There was no utilisation of the guarantee as at the end of the reporting periods.

Allcom is a party in proceedings initiated by Allcom in the District Court in Gdańsk against the former owners of the Company for the return of the Corporate Income Tax equivalent resulting from the disposal of real estate located in Gdynia by Allcom. The estimated value of the dispute amount to PLN 1,273,266 (equivalent to € 279,243). Allcom is also a defendant party in a counterclaim, the subject of which is the payment by Allcom to the former owners of the Company for a contractual obligation in the amount of PLN 125 636 (equivalent to € 27,554) resulting in an adjustment to the final purchase price of Allcom. Due to the early stage of the proceedings (preceding the verdict in the first instance of the court) as at the date of signing of these financial statements, the potential consequences of the dispute are difficult to predict.

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 financial 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 consolidated 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 31, loans and receivables with a fixed coupon as disclosed in note 23, and cash at bank with a floating coupon as disclosed in note 27. The group has taken out interest bearing loans as disclosed in notes 32 and 35. The interest rates thereon and the terms of such borrowings and loans are disclosed accordingly.

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 and loans and 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 2020 €	The group 2019 €	The company 2020 €	The company 2019 €
Classes of financial assets - carrying amounts:					
Financial assets measured at amortised cost:					
Loans and receivables	23	2,378,204	10,734,669	30,603,377	39,530,169
Trade and other receivables	26	10,798,142	10,546,761	171,380	163,569
Cash and cash equivalents	27	11,380,270	18,933,855	416,990	10,624,983
		24,556,616	40,215,285	31,191,747	50,318,721

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 2020 and 2019 are callable on demand. The banks with whom cash and cash equivalents are held form part of two international groups 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 three geographical areas, namely in Malta, U.K. and Poland.

The Expected Credit Loss (ECL) at 31 December 2020 was estimated based on a range of forecast economic scenarios as at that date.

The coronavirus pandemic which started spreading in early 2020 is continuing to cause significant disruption to business and economic activity. The Expected Credit Loss (ECL) at 31 December 2020 was estimated based on a range of forecast economic scenarios as at that date, including management's assessment of any impact from the effects of Covid-19 on the group as explained further below.

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 32 and contingent liabilities are disclosed in note 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 2020 and 2019 respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. The group has identified gross domestic product (GDP) and unemployment rates of the countries in which the customers are domiciled to be the most relevant factors and accordingly adjusts historical loss rates for expected changes in these factors. However given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

In addition to the above assessments on the recoverability and expected credit loss provisions on trade and other financial assets, the group has considered the effects of Covid-19 on the economies in which its customers are based, comprising mainly Malta, Poland and the UK, where significant business is being conducted. It has also taken into consideration the financial position of, and risk exposure to, large customers in order to determine whether the group's credit risk has increased as a result of the pandemic. There are no particular indicators that suggest that the assessment of the expected credit risk model adopted by the group materially varies from expectations of collectability and previous patterns of payments from such customers. Furthermore, management has assessed the probability of default of significant amounts due from large customers individually, and consider such risk to be low in view of the creditworthiness of such customers. While the group continues to closely monitor all of its financial assets at more frequent intervals as a result of such events, management considers that the level of ECL provisions at period end remains adequate.

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 others is considered indicators of no reasonable expectation of recovery.

On the above basis the expected credit loss for trade receivables as at 31 December 2020 and 31 December 2019 was determined as follows:

	Current	More than 30 days	More than 60 days	More than 90 days	Total
31 December 2020					
Expected credit loss rate (%)	0.8%	1.5%	4.5%	20.3%	-
Gross carrying amount (€)	4,413,729	1,568,608	433,527	2,255,760	8,671,624
Lifetime expected credit loss (€)	36,003	23,402	19,446	458,601	537,452
31 December 2019					
Expected credit loss rate (%)	0.6%	2.7%	8.8%	28.4%	-
Gross carrying amount (€)	4,638,101	2,224,781	490,467	1,273,122	8,626,471
Lifetime expected credit loss (€)	26,719	59,421	43,370	362,250	491,760

Changes in expected credit loss rates between reporting periods is attributable to change in circumstances, past ageing information, revised history of loss occurrences and actual losses recognised in the current year. 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 trade receivables loss allowance as at 31 December 2020 and 2019 reconciles with the trade receivables loss allowance opening balance as follows:

	The group 2020 €	The group 2019 €
Opening loss allowance as at 1 January	491,760	882,131
Taken over upon merger	183,887	-
Loss allowance recognised during the year	27,196	56,868
Reversal of loss allowance on impaired receivables written off	(68,182)	(391,975)
Reversal of allowance for credit losses no longer required	(97,209)	(55,264)
Loss allowance as at 31 December	537,452	491,760

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 31, 32, 33 and 35). 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's 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 2020	On demand or within 1 year	1 - 2 years	2 - 5 years	More than 5 years	Total
Non-derivative financial liabilities					
Non-interest bearing	22,602,850	185,927	-	-	22,788,777
Fixed rate instruments	3,377,326	12,959,627	40,636,286	1,483,919	58,457,158
Variable-rate instruments	4,719,247	-	-	-	4,719,247
	30,699,423	13,145,554	40,636,286	1,483,919	85,965,182

31 December 2019

Non-derivative financial liabilities					
Non-interest bearing	24,829,145	3,622,201	-	-	28,451,346
Fixed rate instruments	4,388,625	1,939,500	41,508,000	-	47,836,125
Variable-rate instruments	4,788,567	-	-	-	4,788,567
	34,006,337	5,561,701	41,508,000	-	81,076,038

The company

31 December 2020

Non-derivative financial liabilities					
Non-interest bearing	710,393	-	-	-	710,393
Fixed rate instruments	2,845,593	13,514,929	40,636,286	1,509,451	58,506,259
	3,555,986	13,514,929	40,636,286	1,509,451	59,216,652

31 December 2019

Non-derivative financial liabilities					
Non-interest bearing	803,994	-	-	-	803,994
Fixed rate instruments	6,767,251	2,633,527	43,900,580	18,520,340	71,821,698
	7,571,245	2,633,527	43,900,580	18,520,340	72,625,692

42.4 Summary of financial assets and financial liabilities by category

The carrying amounts of the group's financial assets and financial liabilities as recognised at the end of the reporting period may also be categorised as follows. See note 4.23 for explanations about how the category of financial instruments affects their subsequent measurement.

	The group 2020 €	The group 2019 €	The company 2020 €	The company 2019 €
Non-current assets				
Loans and receivables	1,846,537	2,383,816	26,091,177	34,841,025
Current assets				
Loans and receivables	531,667	8,350,853	4,512,200	4,689,144
Trade and other receivables	10,798,142	10,546,761	171,380	163,569
Cash and cash equivalents	11,380,270	18,933,855	416,990	10,624,983
	22,710,079	37,831,469	5,100,570	15,477,696
Non-current liabilities				
Debt securities in issue	35,677,368	35,596,464	35,677,368	35,596,464
Borrowings	1,811,780	100,000	1,811,780	-
Trade and other payables	185,927	543,826	-	-
Other financial liabilities	11,402,552	3,078,375	11,983,385	17,722,813
	49,077,627	39,318,665	49,472,533	53,319,277
Current liabilities				
Borrowings	5,306,037	4,654,467	294,593	-
Trade and other payables	16,855,557	17,857,299	710,393	803,994
Other financial liabilities	239,536	9,315,506	-	3,955,717
	22,401,130	31,827,272	1,004,986	4,759,711

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 2020 and 2019, except for debt securities in issue as disclosed in note 31, 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 31. 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 2020	Level 1	Level 2	Level 3	Total	Carrying amount
	€	€	€	€	€
Financial assets					
Loans and receivables					
Receivables from related parties	-	2,378,204	-	2,378,204	2,378,204
	-	2,378,204	-	2,378,204	2,378,204
Financial liabilities at amortised cost					
Related party loans	-	11,642,088	-	11,642,088	11,642,088
Bank overdrafts and loans	-	7,117,817	-	7,117,817	7,117,817
Debt securities in issue	36,536,400	-	-	36,536,400	35,677,368
	36,536,400	18,759,905	-	55,296,305	54,437,273
31 December 2019					
Financial assets					
Loans and receivables					
Receivables from related parties	-	10,734,669	-	10,734,669	10,734,669
	-	10,734,669	-	10,734,669	10,734,669
Financial liabilities at amortised cost					
Related party loans	-	12,393,881	-	12,393,881	12,393,881
Bank overdrafts and loans	-	4,754,467	-	4,754,467	4,754,467
Debt securities in issue	36,540,000	-	-	36,540,000	35,596,464
	36,540,000	17,148,348	-	53,688,348	52,744,812

The company

31 December 2020	Level 1 €	Level 2 €	Level 3 €	Total €	Carrying amount €
Financial assets					
Loans and receivables					
Receivables from related parties	-	30,603,377	-	30,603,377	30,603,377
	-	30,603,377	-	30,603,377	30,603,377
Financial liabilities at amortised cost					
Related party loans	-	11,983,385	-	11,983,385	11,983,385
Debt securities in issue	36,536,400	-	-	36,536,400	35,677,368
	36,536,400	11,983,385	-	48,519,785	47,660,753
31 December 2019					
Financial assets					
Loans and receivables					
Receivables from related parties	-	39,530,169	-	39,530,169	39,530,169
	-	39,530,169	-	39,530,169	39,530,169
Financial liabilities at amortised cost					
Related party loans	-	21,678,530	-	21,678,530	21,678,530
Debt securities in issue	36,540,000	-	-	36,540,000	35,596,464
	36,540,000	21,678,530	-	58,218,530	57,274,994

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 debt securities in issue, borrowings and other financial liabilities disclosed in notes 31, 32 and 35, cash and cash equivalents as disclosed in note 27 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

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

45 Immediate and ultimate parent company and controlling party

The immediate and ultimate parent company of 1923 Investments p.l.c. is Hili Ventures Limited. The registered office of Hili Ventures Limited is Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000, Malta.

The directors consider the ultimate controlling party to be Mr Carmelo (sive Melo) Hili, who, through his interest in Hili Ventures Limited, holds 77.58% of the voting rights in 1923 Investments p.l.c.

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 16 to 88, which comprise the statements of financial position as at 31 December 2020, 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 2020, 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 2020 are disclosed in note 10 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 € 61.7 million and intangible assets having a carrying amount of € 11.7 million as at 31 December 2020 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 2020 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 4.29 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 2020 and concluded that no impairment charge in the value of the goodwill was required. The directors concluded that the carrying amount of intangible assets with an indefinite useful life is recoverable and consequently no impairment charge is required.

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

Key audit matter

During the year ended 31 December 2020 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 2020 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 which at 31 December 2020, amounted € 66.8 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 4.29 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 2020 and concluded that no impairment charge in the company's investments in subsidiaries was required.

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 and 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 12 to 14 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 four 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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Malta

27 April 2021