HARVEST

Harvest Technology plc
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COMPANY ANNOUNCEMENT

Harvest Technology plc

Approval of audited financial statements for the financial year ended 31 December, 2020; Dividend; AGM

Date of Announcement	26 March 2021
Reference No:	15/2021
Listing Rule:	5.16

QUOTE

Approval of audited financial statements

Further to the company announcement dated 16 March, 2021 (HRV14) it is hereby announced that the Board of Directors of Harvest Technology plc (the "Company") has approved the audited financial statements of the Company for the financial year ended 31 December, 2020. A copy of the said audited financial statements is attached to the present company announcement and can also be viewed on the company's web portal: https://harvest.tech/financialstatements/.

For the purposes of Listing Rule 5.16.24, it is hereby noted that the difference (positive) between the results shown in the said audited financial statements and the forecast and projections for the year ended 31 December, 2020 featured in section 11 of the Registration Document forming part of the prospectus published on 18 November, 2019 results from the performance of the Company's subsidiaries exceeding pre-IPO expectations, largely attributable to progress in projects contemplated at the time proceeding ahead of schedule, the commencement of significant new projects, increased proliferation of products, an increase in demand for online payments particularly since the onset of the COVID-19

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pandemic, the reduction of certain expenses, and improved management of intra-group financing resulting in a reduction in finance costs.

Approval of final dividend

Furthermore, the Board of Directors announces that it has resolved to distribute a net dividend of €455,613 equivalent to €0.020 per share, following rounding (the "Dividend"), which would result in an aggregate net dividend for the financial year ended 31 December, 2020 of €1,366,888, equivalent to €0.060 per share, following rounding. All shareholders included in the shareholders' register of the Company as at 1, April 2021 shall be entitled to receive their respective share of the Dividend. Payment of the Dividend shall be effected on or around 9 April, 2021.

Announcement of Annual General Meeting to be held remotely

In light of the continued spread of the COVID-19 pandemic and the resulting ban on mass gatherings, amongst other directives issued by the Public Health Authorities as recently as 10th March 2021, the Board of Directors has decided to hold the Company's next Annual General Meeting (**"AGM"**) remotely, in accordance with the Companies Act (Public Companies - Annual General Meetings) Regulations (subsidiary legislation 386.23 of the laws of Malta). The AGM will be held on 7 May, 2021 at 10:00 hours. The meeting will not be transmitted live, however a recording of the AGM will be made available following conclusion of the meeting. A full report of the AGM will be uploaded on the Company's website within 48 hours from conclusion of the meeting, which report shall include any answers to the questions put forward by shareholders in advance of the meeting, if any.

Shareholders are entitled to participate and vote in the AGM through the submission of their respective proxy form to the Company, thereby nominating the Chairman as their proxy and indicating their voting preferences. The proxy form, which will be dispatched together with the notice and agenda of the AGM in due course, may be submitted to the Company no later than 48 hours before the time appointed for the meeting:

a) by delivering it by hand personally to the office of the Company Secretary at Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000, Malta;

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b) by mail to Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000, Malta; or
c) by electronic means at info@harvest.tech

All shareholders included in the shareholders' register of the Company as at 7 April, 2021 shall be entitled to receive notice of the AGM.

Pursuant to the Listing Rules, a shareholder or shareholders holding not less than 5% of the issued share capital of the Company having voting rights may:

a) request the Company to include items on the agenda of the AGM, provided that each item is accompanied by a justification or a draft resolution to be adopted at the AGM; and
b) table draft resolutions for items included in the agenda of the AGM.

The request to put items on the agenda ahead of the AGM or the draft resolutions referred to above should be submitted to the Company in hard copy form at the registered office of the Company or in electronic form to info@harvest.tech by 1 April, 2021, and shall be authenticated by the person or persons making it. The Company shall not be obliged to entertain any requests by shareholders submitted after this date.

Further information and documentation relating to the AGM will be announced at a later date in the notice convening the AGM.

Business update

The Company and its subsidiaries (together, the "Harvest Group") are constantly monitoring the continued impact of the COVID-19 pandemic, and taking all measures considered necessary to mitigate the challenges, and equally, pursue the potential opportunities, arising therefrom.

Whilst the Board recognizes the prevailing volatile economic environment and the risk of unforeseen events impacting the Harvest Group going forward, it looks towards 2021 and beyond with optimism, expecting the Harvest Group to continue building on the success

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achieved in 2020. The Board reiterates the targets for 2021 as announced to the market on 9 December 2020 (HRV12).

The Board will issue a further statement once the Harvest Group's results for Q1 2021 are compiled and approved by the Board.

UNQUOTE

By the order of the Board.

Dr Malcolm Falzon
Company Secretary

Harvest Technology p.l.c.

Report & Consolidated Financial Statements

31 December 2020

-

Company Registration Number: C 63276

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Chairman’s message

Chairman’s message

Harvest Technology p.l.c. closed 2020 with significantly better results than projected despite having to navigate uncharted waters during the ongoing Covid crisis.

The Group continued to strengthen its governance structure, and I am pleased to report that the Board and its various sub-committees continue to function well: by providing the right level of scrutiny of the business activities entrusted to the CEO and his senior managers; but also by challenging and supporting the senior management team to chart a more ambitious business strategy going forward.

In 2020, we have seen the subsidiaries consolidate their position, upgrade their skills and the underlying technological platforms. Admittedly, the pandemic is limiting our ability to grow our international business and footprint as aggressively as we had hoped for. This said, the Group has been using this time to lay the groundwork for further diversification and aggressive internationalisation going forward once business travel is practical and safe.

In tandem with its alter ego Ipsyon, APCO Systems is now well positioned to pursue a growth campaign in Greece, and it is steadily upgrading the payment gateway into a more scalable and comprehensive on-line payments eco-system. In partnership with IBM, PTL has been delivering the Mauritius boarder security system and based on this success is pursing further prospects in the region. In a bid to create new lines-of-business, APCO Limited is in the process of restructuring and upgrading its software and systems integration skills to allow it to broaden its horizon beyond automation and security systems, delving deeper into IoT (Internet of Things) and Intelligent Systems.

Although all companies within the Group have rationalised costs and streamlined their operations to improve the consolidated operational profit significantly, we have continued to invest in employee training and certification, not only to ensure that we retain the necessary skills to bid for and take on technically complex challenges, but also to retain and augment our human capital.

As stated last year, agility and versatility are the best tools to help navigate uncharted waters. As a technology group, we believe that the market for digitalisation, for automated payment services, for integrated solutions based on systems integration, and for automation, is poised to continue to grow. Our challenge is to identify niches where demand is bound to grow, to do so ahead of time, and with the right skills and capacity in hand that allows us to respond to our customers’ needs, and to deliver. Although we remain optimistic for the future, one must not underestimate the challenges in hand particularly if the pandemic fuelled by viral mutations prolongs economic recovery and restricts day-to-day operations.

As the world is poised in hope of a speedy recovery, we look to the future with fortitude and determination. Harvest Technology p.l.c. intends to deliver on the commitments made to our customers and our shareholders.

Professor Juanito Camilleri
Chairman

26 March 2021

Chief Executive Officer's review

Welcome to Harvests' Annual report for the year 2020 - and what a year it has been!

Harvest Technology p.l.c. is a group with a diversified portfolio of businesses – today comprised of PTL Ltd, APCO Ltd, APCO Systems Ltd and Ipsyon Ltd. We deliver impactful and intuitive solutions to derive seamless outcomes and customer satisfaction in a myriad of sectors including banking, aviation, pharmaceuticals, state agencies, gaming, retail, and many more.

This is the second annual report since Harvest Technology p.l.c. was listed on the Malta Stock Exchange, during January 2020. In fact, 2020 was our first full year as a listed company. Few knew what the post February 2020 world would look like and the impact that the series of events that unfolded would leave.

Notwithstanding these adversities, it is with great pride to communicate that the Team at Harvest Technology p.l.c. has delivered a very robust performance during 2020. With the Board's direction, management synergies, diverse portfolio of technology-based services, unmatched workforce capability and aptitude, we keep being positioned to deliver on our objectives and performance.

Business & Financial

2020 was a very positive year for Harvest Technology p.l.c., in fact, our final financial performance for the Financial Year 2020 has significantly exceeded budgets and the prospectus commitments. The group generated revenues of € 19.2 million, an increase of 20% over 2019. 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.

From a shareholder perspective, it is pertinent to note that the Board of Directors issued and paid 1 final dividend for 2019 and 2 interim dividends for 2020 during the year, totalling a payment of 5c8 per share rather than 1 interim dividend of 2c4 per share as originally projected. For 2021, the prospectus indicates that the Board of Directors will also be evaluating the provisioning of dividends accordingly. As we keep going forward, we are also actively looking for strategic opportunities around acquisitions and investments - in various shapes and forms.

2020 achievements and objectives going forward

Technology is in our DNA. Whilst COVID-19 hit us like the rest of the local and international communities, we were well prepared from day zero to handle and take forward most of our daily operations and business in the 'new-norm' construct. This ability also stemmed from being a technology group at the core, so many of the required processes and technologies, alongside with mindset, were also in place and prepared to enable our people to carry out respective duties in such a way - less a very limited number of specific areas such as stores operations where a degree of physical interaction is at times required. Throughout, all Health Authorities' protocol requirements where (and are) thoroughly ensured to be in place.

We persistently strive to improve our product and services portfolio through relentless modernization, innovation, and via the application of cutting-edge technologies whilst keeping the customer value proposition at the core. Robotic Process Automation, Machine Learning, Artificial Intelligence, Virtual and Augmented Reality, Internet of Things, Multi-Cloud, Blockchain etc. are all engrained in respective roadmaps where appropriate - and we do implement, because we have highly trained and qualified employees able to do so.

The general contact-less payment sector has seen a dramatic rise in terms of reach and application during the pandemic. From an APCO Ltd perspective, we have secured additional contactless cards business (for deployment during 2021) which also ties together with the substantial enhancements introduced to associated banking software to encode contactless cards - the latter in partnership with Thales. APCO Ltd have also secured an EMV cards deal, split between 2020 and 2021. Another leading local bank has also been on boarded as a new client - procuring two deposit machines in 2020 – further growth with this bank is planned for 2021 with the roll out of more equipment. Other key security related initiatives at APCO Ltd. during 2020 included the completed local banks PACOM upgrades at all sites. APCO Ltd also implemented its first, large scale, solar farm CCTV security solution at Benghajsa.

When it comes to the Fuel Station software, eight more fuel stations have been onboarded and installed during 2020. Another four petrol stations are in the pipeline for 2021. We have also made considerable investment to upgrade our offering with new features – for example extending its capabilities to interface directly with tank gauges to provide detailed data and insight related to fuel tank levels, etc. Furthermore, as part of the software's roadmap, the capability for multi-site integration has been introduced. This feature is actively being developed during 2021. Besides, we are also actively looking to identify opportunities to productize and internationalize it – we believe there is potential in this respect.

At PTL Ltd, we have continued working on our renowned border control systems to be able to replicate the entire product/service stack quickly wherever it is needed – interest in this regard is evident. We are already in discussion with several potential international clients. A leading local bank confirmed the order for new cheque imaging hardware that is integrated with PTL's Cheque Processing Software (CPS) – which was also modernised with several interesting and value-added features. Together with the Malta Police Force, we have finalised the implementation of IBM's i2 investigative software - which will assist with the elimination of redundant investigatory efforts and help frontline officers handle crime challenges more efficiently.

We have also brought in fresh upgrades to key solutions such as the Pharmacy of Your Choice, e-Prescription (Electronic Prescription) Software and AGM (Annual General Meeting) Software with leading-edge technologies such as artificial intelligence - always where they make business sense and bring value to our clients. PTL Ltd have been awarded a Government tender for the support of the Malta's National Police Software, together with other software engineering enhancements required. We also concluded and went into production with the National Electronic Health Record (NEHR) project in Malta. This implementation in Malta won an award at the 4th Commonwealth Digital Health Awards 2020. PTL Ltd has been contracted to create a Batch Appointment Software Application for the nationwide scheduling of COVID-19 vaccination appointments. We also completed several lift and shift initiatives to the Cloud, so we completely remove the dependency of on-premises technology/facilities.

At APCO Systems, we have continued to work in earnest on our world-renowned Payment Gateway. Currently, our services provide 240 plus payment options, with a reach in over 25 countries, integrating with more than 40 acquiring banks serving over 1,200 online merchants using a simple and seamless on-boarding process.

On the current payment gateway version, we have worked to ensure that we become fully compliant with the EU PSD2 and related directives as well as be one of the front runners for the implementation of 3DSecure v2. This was not easy given the technical /operational complexities involved and the number of interactions required with third party entities. To be able to scale at the rate and in the direction required, we have also re-architected the current production version of the payment gateway in a 'virtualized appliance' construct. This allows us to have as many 'virtual' instances of the unified payment gateway running as required and gives us the flexibility to segregate by specific customer needs and risk profile for example. Internally we also kept improving our Agile based development, testing and QA processes to reflect the new rigour the industry constantly places on us.

For our upcoming release of the payment gateway (which will be backward compatible) we will keep and improve on the core features of the current, and we will also be bringing on-board exciting new features. Improved support for seamless onboarding, automation, anti-fraud, PSD2, AML, virtual cards, machine learning, and other leading-edge characteristics are but a very few of these. We will also be aggressively pursuing increased presence in Greece - in line with our internationalisation strategy. We are also actively looking into further opportunities around the PSD2 Directive as well as options around EMI (electronic money institution) models (and respective license requirements) as part of our continued strategic initiatives.

Internationalisation

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 Technology plc going forward. Whilst we will obviously ensure that we keep strengthening our local presence, services, and portfolio, we are very aggressively engaging in internationalisation activities, across all subsidiaries. To ensure further focus in this regard, we have also instituted a specific role responsible for our international business development.

From an APCO Systems perspective, we have ramped up our efforts in Greece significantly. We have officially inaugurated our Greek offices and kicked off our on-site plans. We have already engaged with several key banks as well as a significant number of large retailers. The intention is that subsequently, we also look at neighbouring countries including Cyprus and Romania. We have also engaged with additional Tier I merchants in the gaming space, some exclusively, for new markets such as Colombia. We have also implemented new acquiring solutions to cover wider geography, also in line with client and jurisdiction requirements. Our Fastlink product development to assist online merchants during Covid-19 (and non Covid-19 as well) situation continuous to grow exponentially.

Our project in Mauritius is progressing very well for PTL Ltd. Even though the pandemic impacted the approach of how we execute large scale projects such as this - with a big focus on doing things remotely - we still managed to take this forward very successfully. This has given us the experience and insight required to be able to ensure that we can perform at scale, remotely. This also gives us the opportunity to repeat the project in bordering countries – and elsewhere. We are in fact also looking at the best way to establish a registered PTL Ltd office in this region as well as also looking very actively at Africa.

In fact, strengthening our presence in South Africa has also been a strategic objective for APCO Ltd. During 2020 APCO Ltd. engaged in a very solid and interesting partnership agreement with a large IT Management Consulting group specializing in retail in South Africa. This group provides information technology and retail solutions across South Africa, with the objective being to promote APCO's products and services within the region. We are confident that during 2021 we will be able to start to bring into fruition this relationship and material opportunities it provides.

People

Humbly, I say that our talent pool is amongst the very best. It is only because of our employees that we can talk about and look back at our achievements. At the end of the day, it is always about the people and people are the single most important asset Harvest Technology p.l.c. has. We continuously ensure that our employees are at the centre stage of any strategy going forward. During 2020 we kept investing in our employee's ability to work from home as comfortably and as productively as possibly - also supporting their families as we go forward. We have managed to create an environment which is fully in line with the required Health Authorities safety protocols. The flexibility to work from home is by design - yesterday, today and for the future. Employee wellbeing feedback we have received to this extent is unequivocally great.

We have continued to invest heavily in training and certification - to ensure that our value proposition with international vendors stays at the foremost level reached to date and which has allowed the group to engage and handle large scale and complex solution deliver and supporting services. It also ensures that our employees can keep enriching their professional capabilities, opportunities and experience.

Closure

2020 has been, as our first year listed on the Malta Stock Exchange, a highly successful one for Harvest Technology p.l.c. 2021 will surely bring along its own set of challenges and opportunities.

I am confident that with the talent pool at Harvest, the commitment and hard work, 2021 will be yet another successful year.

To the Board of Directors, Management Team, and all employees at Harvest Technology p.l.c., thank you for making 2020 the successful year it was – let us keep collectively working together for an even better 2021.

Dr Godwin Caruana, PhD
Chief Executive Officer and Chief Technology Officer

26 March 2021

Directors' report

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

Principal activities

The principal activity of the parent company is that of acting as a holding company.

The Group is mainly involved in the sale, maintenance and servicing of information technology solutions, security systems, and to provide electronic payments solutions.

Performance review

During the year under review, the Group registered an operating profit of €4,643,232 (2019: € 3,224,957) on revenue of € 19,217,368 (2019: € 16,049,372). After accounting for net finance costs and taxation, the Group registered a profit for the year of € 3,040,659 (2019: € 2,088,772).

The Group's net assets at the end of 2020 amounted to €12,072,265 (2019: € 10,353,416).

The Company earned management fees and investment income of € 393,882 and € 3,277,208, respectively (2019: € 352,703 and € 2,579,591, respectively). After accounting for finance income, finance costs and administrative expenditure, the Company registered a profit after tax of € 1,809,807 (2019: € 1,095,432). The net assets of the Company at the end of 2020 amounted to € 12,073,378 (2019: € 11,585,011).

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

Financial

The Group's current ratio ("current assets divided by current liabilities") currently stands at 1.42:1 (2019: 1.25:1).

The Group measures its performance based on EBITDA. EBITDA is defined as the Group profit before depreciation, amortisation, net finance expense and taxation. During the year under review, EBITDA amounted to € 5,415,644 (2019: € 3,856,340).

The Group aims to deliver a return on average capital employed above the level of its cost of funding. The return on average capital employed represents the profit on ordinary activities before finance costs and exceptional items, 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 improved from 31% to 38% during the year under review due to an improvement in profitability.

The 2020 results of Harvest Technology p.l.c. Group, exceeded the projected financial results of the year as illustrated in the Prospectus dated 18 November 2019.

Non-financial

The directors note that the volume of the e-commerce business of the Group increased by 7% in 2020 over the volume attained in 2019. The Group is expected to continue to generate steady positive results which, the directors are committed to strengthen and continue to improve.

Principal risks and uncertainties

The successful management of risk is essential to enable the Group to achieve its objectives. The ultimate responsibility for risk management rests with the company's directors, who evaluate the Group's risk appetite and formulate policies for identifying and managing such risks. The principal risks and uncertainties facing the Group are included below:

Market and competition

The Group operates in a highly competitive environment and faces competition from various other entities. Technological developments also have the ability to create new forms of quickly evolving competition. An effective, coherent and consistent strategy to respond to competitors and changing markets enables the Group to sustain its market share and its profitability. The Group continues to focus on service quality and performance in managing this risk.

Talent and skills

Failure to engage and develop the Group's existing employees or to attract and retain talented employees could hamper the Group's ability to deliver in the future. Regular reviews are undertaken of the Group's resource requirements.

Economic and market environment

A significant economic decline in any of the markets that the Group operates in, could impact the Group's ability to continue to attract and retain customers. Demand for the Group's products and services can be adversely affected by weakness in the wider economy which are beyond the Group's control. This risk is evaluated as part of the Group's annual strategy process covering the key areas of investment and development and updated regularly throughout the year. The Group continues to make investment in innovation. The Group regularly reviews its pricing structures to ensure that its products and services are appropriately placed within the markets in which it operates.

Brand and reputation risk

Damage to the Group's reputation could ultimately impede the Group's ability to execute its corporate strategy. To mitigate this risk, the Group strives continually to build its reputation through a commitment to sustainability, transparency, effective communication and best practices. The Group works to develop and maintain its brand value.

Technology and business interruption

The Group relies on information technology in all aspects of its business. In addition, the services that the Group offers to its customers are reliant on complex technical infrastructure. A failure in the operation of the Group's key systems or infrastructure could cause a failure of service to its customers, thus negatively impacting its brand, and increased costs. The Group invests in technology infrastructure to enable it to continue to support the growth of its business and has a robust selection and monitoring process of third-party providers. The Group also organises regular business continuity exercises to ensure ongoing readiness of key systems and sites.

Customer service

The Group's revenues are at risk if it does not continue to provide the level of service expected by its customers. The Group's commitment to customers is embedded in its values. The relevant employees undertake appropriate training programmes to ensure that they are aware of, and abide by, the levels of service that are required by the Group's customers.

Financial instruments risks

Note 41 to the financial statements provides details in connection with the Company's financial risk management objectives and policies and the financial risks to which it is exposed.

Non-financial statement matters

Environmental matters

The Group is committed to environmental responsibility and feels that it is its duty to operate as part of the local community in order to keep the environment in which it operates tidy. Subsidiaries within the Group are enrolled in local programmes for waste collection, separation and recycling of waste.

Employee matters

The Group provides opportunities to individuals with diverse backgrounds and experiences, to work in its environment and provide the necessary training programs to its staff members to ensure high levels of engagement which is essential to its continuing business success, whilst making sure that it provides career progression mechanisms and rewarding achievements. All this is provided in an environment which fosters diversity and equal opportunities for everyone, respecting the unique attributes and perspectives of every employee.

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

Social matters

The Group 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.

Obligations

The Group conducts its activities by taking positive actions respect human rights, as defined in the code of business conduct, which applies to all employees of the Group. All Group employees are trained annually on the standard of business conduct.

The Group makes sure that it respects all its obligations regarding fraud, bribery and corruption. The Group prohibits all forms of bribery and corruption in accordance with the Group Code of Conduct and Whistle-blower Policy to ensure that all employees are deterred 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.

Accordingly, all employees, representatives and business partners must fully comply with anti-bribery legislation.

Meanwhile, 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.

Business model

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

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

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 31. The Group's profit for the year after taxation was € 3,040,659 (2019: € 2,088,772), whilst the Company's profit for the year after taxation was € 1,809,807 (2019: € 1,095,432).

On 24 April 2020, the Company declared a final dividend of € 410,165 - € 0.018 per share, for 2019. This was paid on 15 May 2020. During the current year, the Company paid two net interim dividends amounting to € 911,275 - € 0.04 per share. On 26 March 2021, the directors propose a final net dividend of € 455,613, equivalent to € 0.02 per share, resulting in an aggregate net dividend for the financial year ended 31 December 2020 of € 1,366,888, equivalent to € 0.060 per share (2019 - € 1,360,165 - € 0.060 per share).

Likely future business developments

The directors consider that the year-end financial position was satisfactory however future performance might be negatively effected due to Covid-19 pandemic.

Effects of the 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 Group. Although the Group managed to improve on actual results of the previous year and on budgeted figures, such events might still have an impact on the performance and financial position of the Group in the future due to any unforeseen effects that such pandemic might have on the economies and industries to which the Group is exposed.

The results for year ended 31 December 2020 show that the Group has exceeded expectations. Whilst the situation remains fluid and future events may have an adverse effect on the Group's future profitability, liquidity and financial position, the outlook remains cautiously optimistic.

During the year, the Group has, to a great degree, 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. The Group has availed itself of and utilised the Government's wage supplement which has assisted in creating stability and peace of mind to its employees while at the same time giving management the ability to further invest in a safer work environment that will be beneficial to its workforce in the longer term.

Post balance sheet events

There 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.

Directors

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

Prof. Juanito Camilleri	Non-Executive (Chairman)
Mr. Richard Abdilla Castillo*	Non-Executive
Mr. Conrad Aquilina	Non-Executive
Mr. Keith Busuttil	Non-Executive
Ms. Jacqueline Camilleri	Independent Non-Executive
Mr. Georgios T. Kakouras*	Non-Executive
Mr. Stephen Paris	Independent Non-Executive

*Mr. Richard Abdilla Castillo resigned from the office of director of the Company and member of the Audit Committee of the Company with effect from 4 November 2020. With effect from the same date, he was replaced as director by Mr Georgios T. Kakouras, and as Audit Committee member by Mr. Keith Busuttil (previously appointed on 30 July, 2020).

The directors of the Company are eligible for re-appointment in the manner specified in the corporate governance statement on page 15.

Remuneration statement

In terms of Rule 8A.4 of the Code, the Company is to include a remuneration statement in its annual report which shall include details of the remuneration policy of the Company in respect of the financial packages of members of the Board of Directors and the Chief Executive Officer (**"CEO"**) of the Company.

The Company's remuneration of its Directors and CEO is based on the remuneration policy adopted and approved by the shareholders of the Company at the last annual general meeting held on 30 July 2020 (the **"Remuneration Policy"**). The Remuneration Policy of the Company is available for inspection on the Company's website on https://harvest.tech/wp-content/uploads/2020/07/Harvest-Renumeration-Policy.pdf.

Remuneration Policy

The Remuneration Policy of the Company is intended to provide an over-arching framework that establishes the principles and parameters to be applied in determining the remuneration to be paid to any member of the Board of Directors, and the CEO. The Remuneration Policy is also intended to demonstrate how the remuneration that may be paid to Directors and the CEO contributes to the development and attainment of the Company's corporate strategy and its long-term success, development and sustainability, and is aimed at attracting and retaining suitable candidates with the appropriate skills, technical knowledge experience and expertise.

Remuneration payable to Directors

Fixed remuneration

The remuneration payable to Directors shall be fixed and shall not include any variable element based on performance indicators or the right to purchase shares in the Company by virtue of share options, or any other deferred compensation, or pension benefits.

In addition to fixed remuneration in respect of their position as members of the Board of Directors of the Company, individual Directors who are also appointed to chair, or to sit as members of, one or more committees or sub-committees of the Company, or its subsidiaries, are entitled to receive additional remuneration as may be determined by the Board of Directors from time to time. Any such additional remuneration shall, however, form part of the aggregate emoluments of the Directors as approved by the general meeting of the Company. The basis upon which such additional remuneration is paid shall take into account the skills, competencies and technical knowledge that members of such committees require and the respective functions, duties and responsibilities attaching to membership of such committees.

Other entitlements

The Company may also pay out fringe benefits, comprising of medical and life insurance (subject, however, to a commercially reasonable capping on the premium payable), as well as mobile and internet connectivity data, at the expense of the Company.

Director service contracts

As at the date hereof, the non-executive Chairman of the Board, and the independent non-executive Directors are party to a director services contract with the Company, pursuant to which their respective role, responsibilities, duties and the applicable remuneration is set out.

Save in the case of the non-executive Chairman, whose current contract of service is for an indefinite duration, the term of such service contracts commence from the date of entry into the said contract and continues in force thereafter until the next annual general meeting of the Company at which the Directors shall be eligible for re-election, or until such time as the Director resigns or until such time as such Director is removed from office.

None of the service contracts contain provisions for termination payments and other payments linked to early termination.

Remuneration payable to CEO

Fixed and Variable Remuneration

The CEO is entitled to a fixed-based salary together with a variable discretionary performance bonus, based on a pre-defined percentage of the audited consolidated net profit before taxation of the Company. Such bonus scheme is driven by the crucial role of the CEO in the oversight of the day-to-day business, and the growth of the Company and its underlying business clusters.

The remuneration payable to the CEO is reviewed annually by the Board of Directors to ensure that such remuneration is commensurate with the roles, duties and responsibilities of the CEO, as well as the individual skills, knowledge, expertise, experience and performance thereof. In establishing the remuneration payable to the CEO, the Board of Directors is guided by the recommendations of the RemNom Committee, including any recommendations intended to ensure that remuneration payable is in line with market standards and is well suited to retain and motivate the CEO of the Company to contribute to the long-term success and development of the Group.

Other entitlements

In addition to his fixed and variable remuneration, the CEO is also entitled to a fully expensed mobile phone and laptop, as well as part payment of premia for overseas medical insurance and life insurance.

CEO Service Contract

The CEO’s contract of service is of an indefinite duration and is subject to the termination notice periods prescribed by law.

Remuneration Report

In terms of Listing Rule 12.26K, the Company is also required to draw up an annual remuneration report (the **"Remuneration Report"**), which report is to:

i. provide an overview of the remuneration, including benefits in whatever form, awarded or due to members of the Board of Directors and the CEO during the financial year under review; and
ii. explain whether any deviations have been made from the Remuneration Policy of the Company.

In this respect, the Company is hereby producing its first Remuneration Report following the approval and entry into effectiveness, in July 2020, of the Remuneration Policy described in the preceding sections.

Remuneration paid to Directors

The remuneration paid to individual Directors during the year under review was as follows:

Name	**Position**	**Remuneration paid**
Prof. Juanito Camilleri:	Non-Executive Director and Chairperson	€ 100,121;
Mrs. Jacqueline Camilleri:	Inepedent Non-Executive Director	€ 20,000;
Mr. Stephen Paris:	Independent Non-Executive Director	€ 20,000;
Mr. Richard Abdilla Castillo*:	Non-Executive Director	€ nil;
Mr Conrad Aquilina:	Non-Executive Director	€ nil;
Mr. Keith Busuttil:**	Non-Executive Director	€ nil;
Mr. Georgios Kakouras:***	Non-Executive Director	€ 214,587

* Resigned on 4 November 2020
* Appointed on 30 July 2020
*** Appointed as director of the Company on 4 November 2020. Mr. Kakouras was not paid any remuneration in his capacity as a director of the Company during the year under review. The remuneration indicated above relates to his former role as managing director of APCO Systems Limited until 17 August 2020.

The remuneration paid to the non-executive Chairman covers both his role as director and non-executive chairman of Company and his role as chairperson of the RemNom Committee, as well as his position as director and non-executive chairman of each of the subsidiaries forming part of the Group. The remuneration paid to the independent non-executive Directors covers both their role as directors of Company and their role as members of chairpersons or members of sub-committees of the Company, as well as their position as directors of subsidiaries forming part of the Group.

The aggregate emoluments that may be paid to Directors in any one financial year shall be as determined by the Company in the general meeting in accordance with Article 21.1 of the Articles of Association of the Company. In this respect, the shareholders of the Company approved, as part of the ordinary business approved at the last annual general meeting of the Company held on 30 July 2020, that the aggregate remuneration that may be paid to the Directors of the Company for the financial year ending 31 December 2020 was fixed at € 150,000.

The aggregate emoluments of the Directors in respect of their role as directors of the Company and, where applicable, as members of sub-committees of the Board of Directors of the Company and non-executive directors of subsidiaries forming part of the Group, amounted to €140,121. In light of the fact that Mr. George Kakouras occupied the role of managing director of APCO Systems Limited until 17 August 2020, the remuneration earned in this capacity must in terms of the Listing Rules be taken into account for purpose of computing the aggregate remuneration paid to the Directors during the period under review. As a result, the revised aggregate amount of remuneration earned by the Directors during the period under review amounted to € 354,708. The Directors do not expect the abovementioned maximum aggregate remuneration limit of € 150,000 to be exceeded during the financial year ending 31 December 2021.

In view of the management structure of the Group, and the fact that the main assets of the Company are its investments in its operating subsidiaries (PTL Limited, APCO Limited, APCO Systems Limited and Ipsyon Limited), the Board considers a fixed remuneration to Directors as an appropriate and suitable remuneration package for the Board in the performance of their duties. Furthermore, the Remuneration Committee is satisfied that the fixed remuneration for the year under review is in line with the core principles of the Remuneration Policy applicable during the year under review, including giving due regard to market conditions and remuneration rates offered by comparable organisations for comparable roles.

Remuneration paid to CEO

Emoluments paid and accrued to the CEO for the period under review amounted to € 169,000, split as to € 125,000 by way of fixed remuneration and € 44,000 by way of variable remuneration. In addition to these amounts, during 2020 the CEO earned a one-time remuneration of € 79,331 as interim managing director in one of the subsidiaries of the Group.

Decision-making with respect to the Remuneration Policy

Whereas the Board of Directors is responsible for determining the Remuneration Policy of the Company, the Remuneration and Nominations Committee, acting in its function as the Remuneration Committee, is, in turn, responsible for overseeing and monitoring its implementation and ongoing review thereof.

The Remuneration Policy shall be reviewed regularly, and any material amendments thereto shall be submitted to a vote by the annual general meeting of the company before adoption, and in any case at least every four (4) years.

In evaluating whether it is necessary or beneficial to supplement or otherwise alter the Remuneration Policy of the Company, the Remuneration Committee have regard to, *inter alia*, best industry and market practice on remuneration, the remuneration policies adopted by companies operating in the same industry sectors, as well as legal and, or statutory rules, recommendations or guidelines on remuneration, including but not limited to the Code of Principles of Good Corporate Governance contained in Appendix 5.1 of the Listing Rules of the Listing Authority.

Whilst members of the Remuneration Committee may be present while his/her remuneration as a Director or other officer of the Company and, or of any other company forming part of the Group, is being discussed at a meeting of such Committee, any decision taken by the Committee in this respect shall be subject to the approval of the Board of Directors. At a meeting of the Board of Directors, no Director may be present while his/her remuneration as a Director or other officer of the Company and, or of any other company forming part of the Group, is being discussed.

Going concern

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

Disclosure of information to the auditor

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

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

Statement of directors' responsibilities

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

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

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

Auditor

Grant Thornton have intimated their willingness to continue in office.

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

Approved by the board of directors and signed on its behalf on 26 March 2021 by:

Prof Juanito Camilleri
Non-Executive Chairman

Mr. Stephen Paris
Non-Executive Director

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

26 March 2021

Corporate Governance - Statement of Compliance

A. Introduction

Pursuant to the Listing Rules issued by the Listing Authority, Harvest Technology p.l.c. (the "Company") should endeavour to adopt the Code of Principles of Good Corporate Governance contained in Appendix 5.1 to Chapter 5 of the Listing Rules (the "Code"). As at the date of this Report, the Board of Directors of the Company (the "Board" or the "Directors"), considers the Company to be generally compliant with the Code. In those instances where the Company's organisation and practices deviate from the Code, the Board is of the view that there are cogent justifications for such divergences, taking into account the size, complexity and nature of operations of the Company, as explained in further detail in section B of this Corporate Governance Statement.

The Company acknowledges that the Code does not dictate or prescribe mandatory rules but recommends principles of good practice. However, the Directors strongly believe that such practices are generally in the best interests of the Company and its shareholders and that compliance with the Code is not only expected by investors but also evidences the Directors' and the Company's commitment to a high standard of good governance.

The Company's governance principally lies with its Board, which is responsible for the overall determination of the Company's policies and business strategies. The Company has adopted a corporate decision-making and supervisory structure that is tailored to suit its requirements and designed to ensure the existence of adequate controls and procedures within the Company, whilst retaining an element of flexibility essential to allow the Company to react promptly and efficiently to circumstances arising in respect of its business, taking into account its size and the economic conditions in which it operates. The Directors are of the view that it has employed structures, which are most suitable and complementary for the size, nature and operations of the Company. Accordingly, in general, the Directors believe that the Company has adopted appropriate and suitable structures to achieve an adequate level of good corporate governance, together with an adequate system of control in line with the Company's requirements.

This Corporate Governance Statement (the "Statement") sets out the organisational structures, internal controls, practices and processes in place within the Company and explains how these effectively achieve the provisions and principles set out in the Code. For this purpose, the Statement will make reference to the pertinent provisions and principles of the Code and set out the manner in which the Directors believe these have been adhered to. Where the Company has not complied with any of the principles of the Code, this Statement provides an explanation for such non-compliance. Reference in this Statement to compliance with the principles of the Code means compliance with the Code's main principles and provisions.

The Board has carried out a review of the Company's compliance with the Code during the period under review and is hereby reporting on the extent of its adoption of the provisions and principles of the Code for the financial year being reported, as required in terms of Listing Rule 5.97.

The Code is accessible via the website of the Listing Authority on https://www.mfsa.mt/wpcontent/uploads/2019/07/20190530_FullListingRulesAmendments.pdf at Appendix 5.1 thereof.

B. Compliance

Principle 1: The Board

The Directors believe that for the period under review, the Company has generally complied with the requirements of this principle and the relative Code provisions.

The Board is composed of members who are fit and proper to direct and manage the business of the Company with honesty, competence and integrity. All the members of the Board are fully aware of, and conversant with, the statutory and regulatory requirements connected to the business of the Company and its status as a listed company and the Board is cognisant of its accountability for its own performance and that of its delegates.

The Board is primarily responsible for determining the Company's strategic direction and organisational requirements, whilst ensuring that the Company has the appropriate mix of financial, human and operational resources to meet its objectives and improve its performance. Throughout the period under review, the Board provided the necessary leadership in the overall direction of the Company and has adopted prudent and effective systems whereby it obtains timely information from the Chief Executive Officer (the **"CEO"**) and the Chief Financial Officer (the **"CFO"**).

The CEO acts as a channel of communication between the Board, the senior management team and the managing directors of the Company's operating subsidiaries, ensuring an effective contribution to the decision-making process, whilst at the same time exercising prudent and effective controls. The CFO leads the finance function of the Company and plays a central role in the preparation of the Company's consolidated financial statements, the appraisal of investment opportunities, as well as the monitoring of the operational performance of the Company's business, cash flow and capital requirements. The CFO is also generally responsible for ensuring that the Company complies with its statutory financial and fiscal reporting obligations.

In addition, in December 2020, the Board of Directors also appointed a Chief Business Development Officer - International Markets. Mr. Benson H. Bosman, who previously served as the managing director of APCO Limited (C 8724), a subsidiary of the Company, has been appointed to occupy this role and is entrusted with the responsibility for managing and leading the development of the Harvest group's internationalisation drive.

The Board delegates specific responsibilities to several committees, notably the Audit Committee, the Remunerations and Nominations Committee (the **"RemNom Committee"**), and the Governance and Risk Committee, each of which operate under formal terms of reference approved by the Board. Further detail in relation to the Committees and the responsibilities of the Board is found in paragraph '*Principles 4 and 5*' of this Statement.

Principle 2: Chairman and Chief Executive Officer

The roles of the Chairman and the Chief Executive Officer are occupied by separate individuals. During the period under review, Dr Godwin Caruana occupied the post of Chief Executive Officer and Prof. Juanito Camilleri occupied the post of Chairman. The Board considers that notwithstanding that the Chairman is not an independent Director as recommended by the Code, the means for addressing potential conflicts of interest are suitably addressed in the Articles of Association of the Company and terms of reference of the Audit Committee of the Company. Furthermore, the Board considers the present Chairman to be fit and proper to occupy the role, having the relevant and necessary experience and expertise to fulfil the role.

The responsibilities and roles of the Chairman and the Chief Executive Officer are clearly established and agreed to by the Board of Directors, with the Chairman generally responsible for leading the Board, whereas the CEO is generally responsible for the *day-to-day* management of the Company, thereby ensuring effective checks and balances on the exercise of the management and conduct of affairs of the Company. The separation of roles is also entrenched in the Articles of Association of the Company, whereby in terms of Article 13.2 of the Articles of Association, where the CEO is appointed to form part of the senior management team of the Company, the CEO may not also simultaneously form part of the Board of Directors.

The Chairman is responsible for:

- leading the Board and setting its agenda;
- ensuring that the Board is in receipt of precise, timely and objective information to enable the Board to take sound and commercially reasonable decisions and effectively monitor the performance of the Company;
- encourages and supports active engagement by all Directors for discussion of complex and contentious issues and ensuring that all Directors are afforded ample opportunity to contribute to the issues on the agenda and present their views; and
- ensuring effective communication and relationship management with the Company's shareholders.

Principle 3: Composition of the Board

In terms of the Articles of Association of the Company, the board of directors shall consist of a minimum of five (5) directors and maximum of seven (7) directors, one of whom may include the Chief Executive Officer.

The Articles of Association of the Company distinguish between the process for the appointment of executive directors and non-executive directors.

Appointment of executive directors

Non-executive directors of the Company are entitled to appoint executive directors to the Board of Directors of the Company from amongst the most senior executive positions of the Company. An executive director appointed in such manner will have a term of office of three (3) years and will thereafter be eligible for re-appointment and may not be removed from office by the non-executive directors: (i) unless his office as a senior executive has also been terminated; or (ii) with just cause being shown to the satisfaction of the Nominations Committee.

As indicated hereunder, none of the directors of the Company are executive directors.

Appointment of non-executive directors

Non-executive directors of the Company shall be appointed by the shareholders in the annual general meeting of the Company. The Articles of Association of the Company provide for two mechanisms by which non-executive directors may be nominated for appointment by the shareholders at the annual general meeting, as follows: (i) any member or number of members who in the aggregate hold not less than 10% of the total number of equity securities having voting rights in the Company shall be entitled to nominate a fit and proper person for appointment as a director of the Company; and (ii) in addition to the aforementioned nominations, the directors themselves, or the Nominations Committee, may make recommendations and nominations for the appointment of directors at the next following annual general meeting. In either case, no person will be entitled to take office as a director unless approved by the Nominations Committee, which is empowered to reject any recommendation if in its considered opinion, such appointment could be detrimental to the Company's interests or if such person is not considered fit and proper to occupy that position.

Removal of directors

Any Director may be removed at any time by the ordinary resolution of the shareholders of the Company in accordance with the Companies Act (Cap. 386 of the laws of Malta), or in accordance with any other applicable law, or in the specific cases set out in the Articles of Association of the Company. Once appointed to office in accordance with the provisions of the Articles of Association of the Company, a Director shall hold office for a minimum period of three (3) years and a maximum period of five (5) years, unless he/she resigns or is earlier removed or is due to retire by rotation in accordance with the Articles of Association of the Company. A Director whose term of office expires will be eligible for re-appointment.

The Board of Directors is currently chaired by Prof. Juanito Camilleri and comprises six (6) non-executive Directors. As at the date of this Statement, the directors of the Company are:

Director	***Capacity***	***Date of appointment***
Prof. Juanito Camilleri	Non-Executive (Chairman)	1 March 2015
Mr. Conrad Aquilina	Non-Executive	3 September 2019
Mr. Keith Busuttil	Non-Executive	30 July 2020 *
Ms. Jacqueline Camilleri	Independent Non-Executive	3 September 2019
Mr. Georgios T. Kakouras	Non-Executive	4 November 2020 *
Mr. Stephen Paris	Independent Non-Executive	14 October 2019

Mr. Georgios T. Kakouras was co-opted by the Board of Directors to the office of non-executive director of the Company, in accordance with the co-option procedure contemplated by Article 18.3 of the Articles of Association of the Company. Such co-option is valid until the next annual general meeting of the Company, at which the said co-opted director shall be eligible for re-appointment thereat. As the longest serving director on the Board, Prof. Juanito Camilleri will be obliged to retire from office at the next annual general meeting, but will be eligible for re-appointment thereat.

In addition, during the year under review the following individual served as members of the Board of Directors of the Company:

Director	***Capacity***	***Date of resignation***
Mr. Richard Abdilla Castillo	Non-Executive	4 November 2020

For the purpose of Code Provision 3.2, two of the Directors are considered by the Board to be independent within the meaning of the Listing Rules, such independent directors being Ms. Jacqueline Camilleri and Mr. Stephen Paris. In making this determination in respect of the former, the Board of Directors considered the following principal determining factors: (i) with reference to her position as a member of the Board of Directors of Hili Finance Company p.l.c. (C85692), the Board noted that Ms. Camilleri sits as an independent non-executive director and is, therefore, not involved in the *day-to-day* operations; and (ii) none of the circumstances set out in Code Provision 3.2 that would be indicative of a director's non-independence, are satisfied.

The Board of Directors have formulated the view that notwithstanding that Mr. Conrad Aquilina is employed by (and up until his resignation, Mr. Richard Abdilla Castillo was employed by) 1923 Investments p.l.c., the majority and controlling shareholder of the Company, there are cogent reasons to believe that the independence of the said directors was/is not compromised by the services rendered by the said directors under their respective contracts of employment, and that the directors were/are mindful of maintaining professionalism and integrity in carrying out their duties, responsibilities and providing judgement as a non-executive director of the Company. The Board of Directors also considers that Mr. Keith Busuttil, who has held the position of Chief Executive Officer of 1923 Investments p.l.c. since 4 May 2020, and Mr Georgios Kakouras, who since 17 August, 2020 has held the post of Managing Director of Hili Properties p.l.c. (C-57954), an associate company of 1923 Investments p.l.c., similarly maintain the necessary professionalism and integrity to duly fulfil their roles and responsibilities as non-executive director of the Company.

The non-executive directors contribute to the strategic development of the Company and the creation of its long-term growth and are responsible for:

- constructively challenging and developing strategy;
- monitoring reporting of performance;
- scrutinising performance of management; and
- ensuring the integrity of financial information, financial controls and risk management systems.

Save as disclosed above, none of the non-executive Directors of the Company:

(a) are or have been employed in any capacity by the Company;
(b) receive significant additional remuneration from the Company;
(c) have close family ties with any of the executive members of the Board;
(d) have been within the last three years an engagement partner or a member of the audit team of the present or past external auditor of the Company; and
(e) have a significant business relationship with the Company.

In terms of Code Provision 3.4, each non-executive Director has declared in writing to the Board that he/she undertakes:

- to maintain in all circumstances his/her independence of analysis, decision and action;
- not to seek or accept any unreasonable advantages that could be considered as compromising his/her
- independence; and
- to clearly express his/her opposition in the event that he/she finds that a decision of the Board may harm the Company.

Principles 4 and 5: The Responsibilities of the Board and Board Meetings

The Board of Directors is entrusted with the overall direction, administration and management of the Company and meets on a regular basis to discuss and take decisions on matters concerning the strategy, operational performance and financial performance of the Company.

In fulfilling its mandate, the Board assumes responsibility to:

a) establish appropriate corporate governance standards;
b) review, evaluate and approve, on a regular basis, long-term plans for the Company;
c) review, evaluate and approve the Company's budgets and forecasts;
d) review, evaluate and approve major resource allocations and capital investments;
e) review the financial and operating results of the Company;
f) ensure appropriate policies and procedures are in place to manage risks and internal control;
g) review, evaluate and approve the overall corporate organisation structure, the assignment of management responsibilities and plans for senior management development including succession;
h) review, evaluate and approve compensation of senior management;
i) review periodically the Company's objectives and policies relating to social, health and safety and environmental responsibilities; and
(j) ensuring effective communication with shareholders, stakeholders and the market.

In fulfilling its responsibilities, the Board continuously assesses and monitors the Company's present and future operations, opportunities, threats, and risks in the external environment, and its current and future strengths and weaknesses in its internal environment.

The Board delegates specific responsibilities to Board committees, namely the Audit Committee, the RemNom Committee, and the Governance and Risk Committee.

The Board believes that it complies fully with the requirements of Principle 5 and the relative Code Provisions, in that it has systems in place to ensure reasonable notice of meetings of the Board and ensuring that the Directors receive discussion papers in advance of meetings so as to provide adequate time for Directors to adequately and suitably prepare themselves and enable them to make an informed decision during meetings of the Board.

The Directors are assisted by the company secretary, who is consulted to ensure compliance with statutory requirements and with continuing listing obligations. The company secretary keeps detailed minutes of all meetings of the Board and of its committees, which minutes are subsequently circulated to the Board as soon as practicable after the meeting.

The company secretary also maintains detailed records of all dealings by Directors and senior executives of the Company and its subsidiaries in the Company's shares, and assists the Board and senior management in being duly informed of, and conversant with, their obligations emanating from the Market Abuse Regulation (EU Regulation 596/2014) and ensuring compliance therewith, to ensure the prevention and detection of insider dealing, unlawful disclosure of inside information and, or market abuse. In particular, cognisant of the material consequences of non-compliance with MAR and the effects thereof on investor confidence and market integrity, the Board has in place written policies and procedures relating to the keeping of permanent and temporary insiders lists, dealing in shares of the Company, and procedures for persons in possession of inside information.

In addition, the Directors may, in the course of their duties, seek independent professional advice on any aspect of their duties and responsibilities or the business and activities of the Company, at the Company's expense.

During 2020, the Board met nine (9) times. As a matter of policy, the Board seeks to meet at least twice every quarter, and a policy was established whereby early in the calendar year, meetings are scheduled for the full year, to allow adequate planning and time commitment, subject to the addition of ad hoc meetings as and when considered necessary.

The following reports the attendance at Board meetings of each of the Directors during the period under review:

Name	Capacity	Meetings attended while in office
Prof. Juanito Camilleri	Non-Executive (Chairman)	[9] / [9]
Mr. Conrad Aquilina	Non-Executive	[9] / [9]
Mr. Keith Busuttil	Non-Executive (as from 30/07/20)	[3] / [3]
Ms. Jacqueline Camilleri	Independent Non-Executive	[9] / [9]
Mr. Georgios T. Kakouras	Non-Executive (as from 04/11/20)	[1] / [1]
Mr. Stephen Paris	Independent Non-Executive	[9] / [9]
Mr. Richard Abdilla Castillo	Non-Executive (until 4 November 2020)	[8] / [8]

Principle 6: Information and Professional Development

On joining the Board, Board members undergo a formal induction programme, whereby the company secretary informs the incoming members of their statutory director duties and obligations, the requirements and implications of relevant legislation, as well as their rights, duties, and obligations under the Company's Articles of Association and internal policies and procedures. Directors are also provided with a presentation on the activities of the Company and subsidiaries.

On a regular basis, the Directors also receive periodic information on the Group's financial performance and position. The company secretary ensures effective information flows within the Board, committees and between senior management and Directors, as well as facilitating professional development. The company secretary advises the Board on governance matters. Directors may, in the course of their duties, seek independent professional advice on any matter at the Company's expense. In addition, the Board and its committees are given adequate and suitable resources to duly discharge their functions in a proper and effective manner.

The Chief Executive Officer is responsible for ensuring that management and employees have access to development and training opportunities to retain and enhance the Group's competitive positioning, to safeguard and augment staff morale, and to ensure effective continuity and succession planning. The Company will provide for additional individual Directors' training on an as required basis.

Principle 7: Evaluation of the Board's Performance

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 evaluated on an ongoing basis by, and is subject to the constant scrutiny of, the Board itself, the Company's shareholders, the market and the rules by which the Company is regulated as a listed company.

Principle 8: Committees

The Directors have constituted the following Board committees, the terms of reference of which shall be determined by the Board from time to time with the purpose of fulfilling the below mentioned purposes:

Audit Committee

The Audit Committee's primary objective is to assist the Board in fulfilling its oversight responsibilities over the financial reporting processes, financial policies and internal control structures. The Audit Committee oversees the conduct of the internal and external audit and acts to facilitate communication between the Board, management and the internal and external auditors. The external auditors are invited to attend the Audit Committee meetings. The Audit Committee reports directly to the Board.

The Board has set formal terms of establishment and terms of reference of the Audit Committee, which set out its composition, role, function, and the parameters of its remit, as well as the procedures and processes to be complied with in its activities.

The Audit Committee is expected to deal with and advise the Board on issues of financial risk, control and compliance, and associated assurance of the Company, including:

i. ensuring that the Company adopts, maintains and, at all times, applies appropriate accounting and financial reporting processes and procedures;
ii. monitoring of the audit of the Company's management and annual accounts;
iii. facilitating the independence of the external audit process and addressing issues arising from the audit process and ensuring good communication between internal and external audit activities, as applicable;
iv. reviewing of the systems and procedures of internal control implemented by management and of the financial statements, disclosures and adequacy of financial reporting;
v. making of recommendations to the Board in relation to the appointment of the external auditors and the approval of the remuneration and terms of engagement of the external auditors, following the relative appointment by the shareholders in the annual general meeting;
vi. monitoring and reviewing of the external auditors' independence and, in particular, the provision of additional services to the Company;
vii. considering and evaluating the arm's length nature of related party transactions that the Company carries out to ensure that the execution of any such transactions are, indeed, at arm's length and on a sound commercial basis and ultimately in the best interests of the Company; and
viii. ensuring that the Company, at all times, maintains effective financial risk management and internal financial and auditing control systems, including compliance functions.

Furthermore, the Audit Committee has the role of assessing any potential conflicts of interest between the duties of the Directors and their respective private interests or duties unrelated to the Company.

The Audit Committee is made up entirely of non-executive Directors, the majority of whom are independent of the Company. Audit Committee members are appointed for a for a one (1) year term of office, automatically renewed for further periods of one (1) year each unless otherwise determined by the Board of Directors of the Company, or unless removed and replaced by another member by the Board of Directors in accordance with the Listing Rules. During the period under review, the Audit Committee was composed of Ms. Jacqueline Camilleri (independent and non-executive Director Mr. Stephen Paris (independent and non-executive Director) and, until his effective resignation on 4 November 2020, Mr. Richard Abdilla Castillo, who was subsequently replaced with effect from the same date by Mr. Keith Busuttil (non-executive Director).

The Chairperson of the Audit Committee, appointed by the Board, is entrusted with reporting to the Board on the workings and findings of the Audit Committee. Ms. Jacqueline Camilleri occupied the post of Chairperson of the Audit Committee during the period under review.

All the present members of the Audit Committee are considered by the Board to be competent in accounting and/or auditing in terms of the Listing Rules, based on their respective extensive experience occupying financial management and auditing roles within various private and public entities, as well as their respective skills and competencies in financial reporting, financial management, financial auditing and general financial advisory.

The Audit Committee met eight (8) times during the year under review Save for one meeting which was attended by two out of the three members of the Audit Committee, the meetings of the Audit Committee were attended by all its members during the period under review. The Audit Committee is scheduled to meet at least four times in 2021.

RemNom Committee

In view of its size, the Company has taken the view that whilst it considers the role and function of each of the remuneration committee and the nomination committee as important, it would be more efficient for these committees to be merged into one committee (the **"RemNom Committee"**) that would serve a dual role. During the period under review the RemNom Committee was composed of Prof. Juanito Camilleri (who also acts as its Chairperson) and Ms. Jacqueline Camilleri. On 17 April 2020, the Mr Stephen Paris was appointed as a member of the RemNom Committee.

In its function as remuneration committee, the RemNom Committee is delegated with the oversight of the remuneration policies implemented by the Company with respect to the Board of Directors, the CEO and individuals who report directly to the Board of Directors. In assisting and making recommendations to the Board of Directors in setting out the Company's remuneration policy, the RemNom Committee seeks to formulate remuneration policies aimed at attracting, retaining and motivating directors, whether executive or non-executive, as well as senior management with the right qualities and skills for the benefit of the Company. In turn, it is responsible for making proposals to the Board on the individual remuneration packages of directors and senior executives and is entrusted with monitoring the level and structure of remuneration of the non-executive directors. In addition, the RemNom Committee is responsible for reviewing the performance-based remuneration incentives that may be adopted by the Company from time to time and is authorised to determine whether a performance-based bonus or other incentive should be paid out or otherwise.

In its function as nomination committee, the RemNom Committee's task is to propose to the Board candidates for the position of director, including persons considered to be independent in terms of the Listing Rules, whilst also taking into account any recommendations from or nominations made by the shareholders in accordance with the Articles of Association of the Company.

The nominations committee also periodically assesses the structure, size, composition and performance of the Board and make recommendations to the Board regarding any changes, as well as consider issues related to succession planning. When fulfilling this function, the committee assesses the individual skills, knowledge and experience of the Directors, in order to ensure that that these endow the Board with the requisite collective skills, knowledge and experience for the proper functioning of the Company and its oversight by the Board. It is also entrusted with reviewing the Board's policy for selection and appointment of senior management.

The nominations committee is empowered by the Articles of Association of the Company to reject any recommendation made to it if, in its considered opinion, the appointment of the person so recommended as a Director could be detrimental to the Company's interests, or if such person is not considered fit and proper to occupy that position. The committee and the existing Board members themselves may also make recommendations for the appointment of new directors at the annual general meeting. Where the number of candidates approved by the nominations committee is greater than the number of vacancies on the Board, an election would take place in accordance with the provisions of the Articles of Association of the Company. In this respect, it is pertinent to note that, in advance of the 2020 annual general meeting, the Nominations Committee received five (5) valid nominations for the appointment of incumbent Non-Executive Directors and was requested to consider the nomination of Mr Keith Busuttil as a non-executive director of the Company. On 1 July 2020, the Nominations Committee of the Company approved Mr Busuttil's nomination as a non-executive director of the Company. Mr Busuttil was subsequently appointed at the 2020 AGM.

The RemNom Committee met five (5) times during the period under review, and is scheduled to meet in advance of and following the Company's next annual general meeting, in addition to meetings which may be held from time to time as well as may be required.

Governance and Risk Committee

Cognizant of the critical importance of adopting a risk-based approach to its business and operations, and as part of its endeavours to ensure proper and effective risk management, the Company has established a risk committee (the **"Governance and Risk Committee"** or the **"GRC"**). The GRC is entrusted with:

i. assisting management of each business component with the identification of risks to which the Group and its business and operations are, or may be, exposed to including, but not limited to, client risk, transaction risk, enterprise and business risk, jurisdictional risk, product risk, and delivery risk, among others;
ii. risk quantification to assess the potential likelihood of the occurrence of the risks identified and the potential impact of such occurrence;
iii. oversight of screening of existing and potential customers and suppliers, including know-your-customer and due diligence verifications, and ongoing due diligence thereinafter;
iv. the design, implementation, and oversight of risk management internal policies, procedures, processes, controls, systems and governance structures;
v. the ongoing monitoring and evaluation of risks;
vi. reporting on findings of evaluations undertaken and recommendations to address weaknesses or deficiencies in the processes and procedures of the Group; and
vii. effective and timely implementation of remedial actions to address governance and risk management deficiencies.

The GRC reports directly to the Board of Directors of the Company. During the period under review, the GRC was composed of Mr. Stephen Paris (Chairperson), Ms. Jacqueline Camilleri and Mr. Conrad Aquilina. In determining the composition of the GRC, a balance is sought between expertise and experience in legal and regulatory affairs, compliance with anti-money laundering legislation, and I.T. and technical expertise, including in particular cyber-security. The Chief Executive Officer of the Company, together with members of senior management, may be invited to meetings of the GRC from time to time as observers.

When identifying, evaluating and monitoring the risks to which the Group is, or may become, exposed to, the GRC adopts a three-pronged approach to risk assessments comprised of risk identification, risk quantification and risk evaluation. Where appropriate, the GRC seeks to identify and implement the appropriate measures to be implemented in order to properly and effectively manage the risks identified.

The GRC met three (3) times during the period under review, and is scheduled to meet four (4) times during the course of the current financial year, in addition to meetings which may be held from time to time as well as may be required.

Principles 9 and 10: Relations with Shareholders and with the Market, and Institutional Shareholders

The Company recognises the importance of maintaining a dialogue with its shareholders and of keeping the market informed to ensure that its strategies and performance are well understood.

The Company plans to communicate with its shareholders principally through the Company's Annual General Meeting (the **"AGM"**). The Chairman of the Board ensures that all Directors attend the AGM and that both the Chairman of the Board and the Chairman of the Audit Committee, the RemNom Committee and the Governance and Risk Committee are available to answer questions. Both the Chairman and Chief Executive Officer also ensure that sufficient contact is maintained with major shareholders to understand issues and concerns.

The Company is highly committed to having an open channel of communication and effective relationship with its shareholders and the wider market and ensures that the market is provided with regular, timely, accurate, comprehensive and comparable information to enable existing and prospective investors to make informed investment decisions. In this respect, over and above its statutory and regulatory requirements relating to the AGM, the publication of annual and interim financial statements, interim directors' statements and Company announcements, the Company seeks to engage with investors and the market on a regular basis, and the Company holds meetings with major stockbrokers and financial intermediaries.

Apart from the AGM, the Company is planning to communicate with its shareholders by way of the Annual Report and Financial Statements and through the Company's website (https://harvest.tech/) which also contains information about the Company and its business, including an Investor Relations section.

The office of the company secretary also assists the Board in maintaining regular communication between the Company and its investors. Individual shareholders can raise matters relating to their shareholdings and the business of the Group at any time throughout the year and are given the opportunity to ask questions at the AGM or to submit written questions in advance.

Principle 11: Conflicts of Interest

The Directors are fully aware of their responsibility to always act in the best interests of the Company and its shareholders irrespective of whoever appointed or elected them to serve on the Board.

On joining the Board and regularly thereafter, the Directors are informed of their obligations on dealing in securities of the Company within the parameters of law, including the Listing Rules, and Directors follow the required notification procedures.

It is the practice of the Board that when a potential conflict of interest arises in connection with any transaction or other matter, the potential conflict of interest is declared, so that steps may be taken to ensure that such items are appropriately addressed. By virtue of the Memorandum and Articles of Association, the Directors are obliged to keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with that of the Company. The Board member concerned shall not take part in the assessment by the Board as to whether a conflict of interest exists. A director shall not vote in respect of any contract, arrangement, transaction or proposal in which he/she has a material interest in accordance with the Memorandum and Articles of Association of the Company. The Board believes that this is a procedure that achieves compliance with both the letter and rationale of Principle Eleven of the Code.

During the period under review, the Company did not enter into any material agreements in which any one of the Directors was, directly or indirectly, interested. In situations giving rise to potential conflicts of interest, the conflicted Directors are to act in accordance with the majority decision of those Directors who are not conflicted in the proposed contract, transaction, or arrangement, and in line with the advice of independent legal advice, where required.

Any material transactions with related parties, which pose intrinsic potential conflicts of interests, require the approval of the Audit Committee, which is charged with ensuring that such transactions are necessary for the conduct of the Company's business and are transacted on an arm's length basis. Furthermore, such material transactions with related party transactions are subject to the Listing Rules regulating the approval process for transactions of such nature, including disclosure and shareholder approval requirements that may apply if certain conditions are met.

Save as stated below, the Directors are not aware of any potential conflicts of interest which could relate to their roles within the Company:

i. Mr. Richard Abdilla Castillo sat on the Board of Directors of other companies forming part of the group of companies of which the majority shareholder of the Company (1923 Investments p.l.c.) (C 63261) forms part, namely Hili Ventures Limited (C 57902), limitedly until his resignation from such post within Hili Ventures Limited with effect from 10 July 2020;
ii. Ms. Jacqueline Camilleri sits on the Board of Directors of other companies forming part of the group of companies of which the majority shareholder of the Company (1923 Investments p.l.c.) (C 63261) forms part, namely Hili Finance Company p.l.c. (C 85692);
iii. Mr. Georgios T. Kakouras sits on the Board of Directors of Hili Properties p.l.c. (C 57954). This forms part of the group of companies which includes the majority shareholder of the Company (1923 Investments p.l.c.) (C 63261);
iv. Mr. Conrad Aquilina is a member of the senior management team of Hili Ventures Limited (C 57902); and
v. Mr. Keith Busuttil occupies the position of Chief Executive Officer of the majority shareholder of the Company (1923 Investments p.l.c.) (C 63261).

None of the Directors held any disclosable interest in any contracts or arrangements either subsisting at the end of the last financial year or entered during this financial year.

Principle 12: Corporate Social Responsibility

The Directors also seek to adhere to accepted principles of corporate social responsibility in their management practices of the Company in relation to the Group's workforce and the community in general.

Over the period under review, the Group has supported several organisations engaged in charitable and philanthropic work.

The Group recognises that its workforce is one of its main assets, essential for achieving its objectives and sustained growth. The Group recognises the need to embed good governance in its day-to-day operations and, for this purpose, has introduced a Code of Conduct that establishes the general guidelines governing the conduct of all of its employees in fulfilling their functions and their commercial and professional relations.

The year under review has been a particularly challenging year owing to the Covid-19 pandemic, and the Company has striven to ensure the safety and wellbeing of its workforce. In this respect, several preventive and support measures were implemented.

The Group also seeks to motivate its employees and to create trust and mutually beneficial relations. To this end, the Group's employees are encouraged to participate in job satisfaction surveys. The results of the survey carried out among employees during 2020 resulted in an average satisfaction rate of 88%. The objective of the survey is to gauge employee sentiment to better understand the motivating and (de)motivating factors that the Group's employees experience, with the aim of taking on board the recommendations put forward by its staff during this exercise. For instance, one key outcome of the exercise undertaken in the year under review is a general consensus on the need to sustain the Group's investment in continued professional development ('CPD'), which is a core principle of its corporate strategy so as to ensure that Group's employees are equipped with the right skill set and competencies, whilst maintaining sufficient flexibility and aptitude to keep abreast with the latest developments in the industry, to address challenges, and, ultimately, to maximise and capitalise upon opportunities.

C. Non-compliance with the Code

The Directors believe that good corporate governance is a function of a mix of checks and balances that best suit the Company and its business. Accordingly, whilst there are best practices that can be of general application, the structures that may be required within the context of larger companies are not necessarily and objectively the structures for companies whose size and/or business dictate otherwise. It is in this context that the Directors have adopted a corporate governance framework within the Company that is designed to better suit the Company, its business, scale, and complexity, whilst ensuring proper checks and balances.

Taking the above into account and considering that the Code is not mandatory and that the provisions thereof may be departed from provided that reasonable and justifiable circumstances exist and are adequately explained, the Directors set out below the Code Provisions with which the Company does not comply and what are, in its view, a reasonable and justifiable basis for such departure from the recommendations set out in the Code relating to the composition of the Board.

Code Provision	***Explanation***
Principle 3: Executive and Non-Executive Directors on the Board	As explained in Principle 3 in Section B, the Board is composed entirely of non-executive Directors. The Company is of the view that the composition of the Board of Directors is suitable when taking into account the following considerations: (i) ultimately, the Company acts as the holding company of the Group, with no *day-to-day* operational activities of its own. Rather, the *day-to-day* activities of the Company are the setting of the strategic direction and overall oversight thereof, being an activity that non-executive directors are well suited to be entrusted with; (ii) the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) are invited as observers at the meetings of the Board of Directors of the Company, acting as the liaison between the senior management of the Company and the Board of Directors; and (iii) the managing directors of each operating subsidiary of the Company (that is, of PTL Limited, APCO Limited, APCO Systems Limited, and Ipsyon Limited) report directly to the CEO, ensuring a regular and open communication channel among members of the senior management team.
Principle 4: Succession Policy for the Board (Code provision 4.2.7)	Although the Chief Executive Officer (CEO) is responsible for the recruitment and appointment of senior management, the Company has not established a formal succession plan. In practice, however, the Board and CEO are actively engaged in succession planning and in ensuring that appropriate schemes to recruit, retain and motivate employees and senior management are in place.

Principle 7: Evaluation of the Board's Performance (Code provision 7.1)

The Board has not appointed a committee for the purpose of undertaking an evaluation of the Board's performance in accordance with the requirements of Code Provision 7.1.

Having conducted an informal review of its own performance over the period under review it is the Board's view that all members of the Board, individually and collectively, have contributed in line with the required levels of diligence and skill. In addition, the Board believes that its current composition endows the Board with a cross-section of skills and experience, not only with respect to the specific business of the Company, but also in a wider range of business areas and skills. This process was conducted by the Board itself rather than by a Committee chaired by a non-executive Director as required by the Code.

The Board believes that the size of the Company and the Board itself does not warrant the establishment of a committee specifically for the purpose of carrying out a performance evaluation of its role. Whilst the requirement under Code Provision 7.1 might be useful in the context of larger companies having a more complex set-up and a larger Board, the size of the Company's Board is such that it should enable it to evaluate its own performance without the requirement of setting up an *ad-hoc* committee for this purpose. The Board shall retain this matter under review over the coming year.

Principle 8: Committees

(Code provision 8.A – Remuneration Committee)

During the year under review, the post of chairperson of the RemNom Committee of the Company was occupied by Prof. Juanito Camilleri, the non-executive Chairman of the Board of Directors. Although Listing Rule 8.A.1 requires that the chairperson of the remuneration committee is an independent non-executive director, the Board of Directors is of the view that Prof. Camilleri is best-placed, amongst the members of the RemNom Committee, to occupy the role of chairperson, including but not limitedly by virtue of his in-depth knowledge of the Company and underlying management structure across the Group, and ability to formulate proposals relative to the remuneration of directors and senior executives of the Group commensurate and attuned with the demands and expectations of the technology sector, to which he has had extensive and far-reaching exposure since its inception locally. The Board considers that the terms of reference of the RemNom Committee are such as to ensure that the proper and impartial functioning of the RemNom Committee are not impacted, in any manner, by the status of the particular director holding the post of chairperson of the RemNom Committee.

Principle 9: Relations with shareholders and the market (Code provision 9.3)

There are no formal procedures in place within the Company for the resolution of conflicts between minority and controlling shareholders, nor do the Memorandum and Articles of Association of the Company contemplate any mechanism for arbitration in these instances.

Principle 9: Relations with shareholders and the market (Code provision 9.4)

The Company does not have a formal policy in place to allow minority shareholders to present an issue to the Board. In practice, however, the open channel of communication between the Company and minority shareholders via the office of the Company Secretary and the Chairman is such that any issue that may merit bringing to the attention of the Board may be transmitted via the Company Secretary or the Chairman, who is in attendance at all meetings of the Board of Directors. Furthermore, the Company is in contact with the Malta Association of Small Shareholders (MASS) which may, from time to time, bring matters of interest to private investors to the attention of the Board, for its consideration.

D. Internal controls

The key features of the Group's system of internal controls are as follows:

Organisation

The Group operates through Board of Directors of subsidiary companies with clear reporting lines and delegation of powers. The Company's Chairman occupies the post of chairman of the Board of Directors of the Company's subsidiary companies and the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) are invited as observers at the meetings of the Board of Directors of the Company, acting as the liaison between the senior management of the Company and the Board of Directors; and (iii) the managing directors of each operating subsidiary of the Company (that is, of PTL Limited, APCO Limited, APCO Systems Limited, and Ipsyon Limited) report directly to the CEO, ensuring a regular and open communication channel among members of the senior management team.

Control environment

The Group is committed to the highest standards of business conduct and seeks to maintain these standards across all its operations. Although the Company has not appointed an internal auditor, the Board of Directors believes that the combination of checks and balances on the finance function of the Company, including the remit and responsibilities of the Audit Committee and the Governance and Risk Committee, the Company's finance policies and procedures, as well as the Company's statutory and legal obligations as a listed entity, provide adequate and suitable controls that are commensurate with the size and complexity of its business and operations. The Board of Directors will retain this matter under review in the coming year.

As part of the good governance best practices adopted by the Group, the Group implements various policies, procedures, systems and controls, designed to detect, prevent, and properly and effectively mitigate and manage legal, regulatory, business and commercial risks to which the Group is or may become exposed to. In this respect, the Group has also adopted the following policies:

- ***Code of Conduct and Whistle-blower Policy:*** this policy sets out the Group's approach to the prevention and detection of corrupt practices or bribery, as well as setting adequate deterrents and punitive measures to discourage such conduct and to promote employees to blow the whistle on such conduct.
- ***Health and Safety Policy:*** this policy sets out the Group's approach to ensuring a safe and secure work environment, providing employees with guidance as to the pre-emptive or resolutive measures to be implemented when dealing with unsafe or hazardous conditions, injuries or accidents arising in the course of the activities of the Group. In turn this policy is supplemented by a comprehensive Health and Safety Manual, providing a detailed instructions and guidance manual on the processes and procedures to be followed. In this respect, the Group has appointed a dedicated Health & Safety Officer, responsible for overseeing compliance with the Group's policy and for handling incidents that may arise from time to time. The Group undertakes a periodic risk assessment, with the objective of identifying any weaknesses in the Group's property, plant and equipment, or in its internal systems and controls and so assess how this may impact the Group's exposure to risks associated with health and safety and what rectifying measures ought to be implemented.
- ***Information Security Policies:*** this set of policies sets out the Group's approach towards ensuring that all users and networks within the Group meet minimum Information Technology (IT) security and data protection security requirements.

Each policy sets out clear reporting lines, to enable employees to disclose incidents to their superiors in a confidential and secure manner, without fear of reprisal. Policies are periodically reviewed and updated.

The Group has an appropriate organisational structure for financial planning, executing, controlling and monitoring business operations in order to achieve Group objectives. Measures taken include physical controls, segregation of duties and reviews by management and the external auditors. Lines of responsibility and delegation of authority are documented.

The Group and the subsidiary companies comprising it have implemented control procedures designed to ensure complete and accurate accounting for financial transactions and to limit the potential exposure to loss of assets or fraud. In particular, the Group adopts:

- ***Finance Policies and Procedures:*** designed to ensure best practices in internal controls by management and members of staff. These policies and procedures cover procurement, credit control, travel policies, credit card payments, bank reconciliations among others; and

- ***HR policies and procedures:*** which govern best practices in employee recruiting, career development, training, performance management, termination of contract, among others.

These policies, procedures, controls and systems are reviewed from time to time in order to reflect new operational and market realities, ensuring that the Group evolves in tandem with the latest developments in a timely manner, seeking pre-empting challenges and maximising potential.

The Group is committed to legal and regulatory compliance and devotes significant attention to promoting and ensuring acquiescence with the legal and regulatory framework affecting its various operations. Throughout the period under review, the Group had its own inhouse legal counsel. In addition the Company is able to engage third party legal experts where necessary through ongoing and, or ad-hoc arrangements, in order to provide sector-specific legal and advice and the necessary support and assistance, with the objective of properly mitigating the business and legal risks of undertaking its activities.

Risk identification and assessment

Group management is responsible together with each of the subsidiary companies' management, for the identification and evaluation of key risks applicable to their areas of business. These risks are assessed on a continual basis and may be associated with a variety of internal or external sources including control breakdowns, disruption in information systems, competition, natural catastrophe and regulatory requirements. The Governance and Risk Committee, the setting up of which transcends the principles set out in the Code, plays a central role in this risk assessment, monitoring and control process.

Information and communication

Group companies participate in periodic strategic reviews, which include consideration of long-term financial projections and the evaluation of business alternatives.

Monitoring and corrective action

There are clear and consistent procedures in place for monitoring the system of internal financial controls. The Audit Committee plans to meet regularly during the year and, within its terms of reference as approved by the Listing Authority, reviews the effectiveness of the Group's systems of internal financial controls. The Audit Committee receives reports from management and the external auditors.

E. General meetings

Annual General Meeting (AGM)

The AGM is the highest decision-making body of the Company.

All shareholders registered in the Shareholders' Register at the relevant registration record date, have the right to participate in the AGM and to vote thereat. A shareholder who cannot participate in at the AGM can be represented by proxy.

A general meeting is deemed to have been duly convened if at least twenty-one (21) days' notice is given in writing to all persons entitled to receive such notice, which must specify the place, the day and the hour of the meeting, and in case of special business, the general nature of that business, and shall be accompanied by a statement regarding the effect and scope of any proposed resolution in respect of such special business. The notice period may be reduced to fourteen (14) days if certain conditions are satisfied. The quorum of Shareholders required is not less than 51% of the nominal value of the issued Shares entitled to attend and vote at the meeting.

The agenda of the AGM will comprise of the ordinary business of the AGM, covering the presentation and approval of the Annual Report and Financial Statements, the declaration of dividends, election of Directors and the approval of their remuneration, the appointment of the auditors and the authorisation of the Directors to set the auditors' fees, together with any special business specified in the notice calling the AGM.

Extraordinary general meetings (EGMs)

The Directors may convene an extraordinary general meeting whenever they think fit. In addition, any two members or more of the Company holding at least ten per cent (10%) of the shares conferring a right to attend and vote at general meetings of the Company, may convene an extraordinary general meeting.

Statements of profit or loss and other comprehensive income

	Notes	The group 2020 €	The group 2019 €	The company 2020 €	The company 2019 €
Revenue	6	**19,217,368**	**16,049,372**	**399,186**	**352,703**
Cost of sales		(10,586,874)	(8,963,451)	-	-
Gross profit		**8,630,494**	**7,085,921**	**399,186**	**352,703**
Other operating income	7	18,822	38,119	-	2,336
Administrative expenses		(4,006,084)	(3,899,083)	(896,991)	(1,000,771)
Operating profit / (loss)		**4,643,232**	**3,224,957**	**(497,805)**	**(645,732)**
Investment income	8	-	-	3,277,208	2,579,591
Finance income	9	1,104	20,644	53,298	65,181
Finance costs	10	(144,947)	(151,122)	(74,525)	(44,193)
Loss on disposal of subsidiary	22	-	(58,363)	-	(264,899)
Profit before tax	11	**4,499,389**	**3,036,116**	**2,758,176**	**1,689,948**
Tax expense	14	(1,458,730)	(947,344)	(948,369)	(594,516)
Profit for the year		**3,040,659**	**2,088,772**	**1,809,807**	**1,095,432**
Earnings per share	16	**0.1335**	**0.0917**	-	-

Statements of financial position

	Notes	The group 2020 €	The group 2019 €	The company 2020 €	The company 2019 €
Assets					
Non-current					
Goodwill	17	7,493,487	7,493,487	-	-
Intangible assets	18	1,273,980	1,215,923	8,110	-
Plant and equipment	19	191,944	248,224	2,618	176
Right-of-use assets	20	1,681,503	1,982,619	-	-
Investment in subsidiaries	22	-	-	11,119,723	11,119,723
Other investments	24	50,000	50,000	50,000	50,000
Loans and receivables	25	-	-	350,000	450,000
Deferred tax assets	36	395,548	315,582	105,223	106,569
		11,086,462	**11,305,835**	**11,635,674**	**11,726,468**
Current					
Inventories	26	2,023,647	2,419,450	-	-
Loans and receivables	25	-	-	443,000	949,422
Contract assets	6	1,749,577	215,998	-	-
Other assets	27	113,350	109,219	9,204	8,557
Trade and other receivables	28	2,697,327	4,394,217	5,000	52,829
Current tax assets		401,518	403,424	401,517	403,424
Cash and cash equivalents	29	2,554,041	2,133,336	226,415	236,709
		9,539,460	**9,675,644**	**1,085,136**	**1,650,941**
Total assets		**20,625,922**	**20,981,479**	**12,720,810**	**13,377,409**

Statements of financial position – continued

	Notes	The group 2020 €	The group 2019 €	The company 2020 €	The company 2019 €
Equity					
Share capital	30	11,390,318	11,390,318	11,390,318	11,390,318
Other equity	31	(2,821,365)	(2,821,365)	-	-
Retained earnings		3,503,312	1,784,463	683,060	194,693
Total equity		**12,072,265**	**10,353,416**	**12,073,378**	**11,585,011**
Liabilities					
Non-current					
Bank borrowings	32	-	100,000	-	-
Lease liabilities	21	1,473,305	1,722,647	-	-
Other financial liabilities	35	-	721,321	-	721,321
Deferred tax liabilities	36	349,628	338,924	-	-
		1,822,933	**2,882,892**	**-**	**721,321**
Current					
Bank borrowings	32	465,476	403,998	-	-
Lease liabilities	21	267,613	283,892	-	-
Trade and other payables	33	3,043,445	3,212,435	147,432	71,077
Contract liabilities	34	1,315,246	2,244,737	-	-
Other financial liabilities	35	500,000	1,000,000	500,000	1,000,000
Current tax liabilities		1,138,944	600,109	-	-
		6,730,724	**7,745,171**	**647,432**	**1,071,077**
Total liabilities		**8,553,657**	**10,628,063**	**647,432**	**1,792,398**
Total equity and liabilities		**20,625,922**	**20,981,479**	**12,720,810**	**13,377,409**

The financial statements on pages 31 to 92 were approved by the board of directors, authorised for issue on 26 March 2021 and signed on its behalf by:

Prof Juanito Camilleri
Non-Executive Chairman

Mr. Stephen Paris
Non-Executive Director

Statement of changes in equity – the group

	Share capital €	Other equity €	Retained earnings €	Total equity €
At 1 January 2019	11,390,318	(2,821,365)	645,959	9,214,912
Dividends	-	-	(950,268)	(950,268)
Transactions with owners	**-**	**-**	**(950,268)**	**(950,268)**
Profit for the year	-	-	2,088,772	2,088,772
Total comprehensive income	**-**	**-**	**2,088,772**	**2,088,772**
At 31 December 2019	**11,390,318**	**(2,821,365)**	**1,784,463**	**10,353,416**
At 1 January 2020	11,390,318	(2,821,365)	1,784,463	10,353,416
Dividends	-	-	(1,321,810)	(1,321,810)
Transactions with owners	**-**	**-**	**(1,321,810)**	**(1,321,810)**
Profit for the year	-	-	3,040,659	3,040,659
Total comprehensive income	**-**	**-**	**3,040,659**	**3,040,659**
At 31 December 2020	**11,390,318**	**(2,821,365)**	**3,503,312**	**12,072,265**

Retained earnings comprise current and prior period results as disclosed in the statements of profit or loss and other comprehensive income.

Retained earnings include an amount of € 395,548 (2019: € 315,582) 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	Retained earnings	Total equity
	€	€	€
At 1 January 2019	11,390,318	49,261	11,439,579
Dividends	-	(950,000)	(950,000)
Transactions with owners	**-**	**(950,000)**	**(950,000)**
Profit for the year	-	1,095,432	1,095,432
Total comprehensive income	**-**	**1,095,432**	**1,095,432**
At 31 December 2019	**11,390,318**	**194,693**	**11,585,011**
At 1 January 2020	11,390,318	194,693	11,585,011
Dividends	-	(1,321,440)	(1,321,440)
Transactions with owners	**-**	**(1,321,440)**	**(1,321,440)**
Profit for the year	-	1,809,807	1,809,807
Total comprehensive income	**-**	**1,809,807**	**1,809,807**
At 31 December 2020	**11,390,318**	**683,060**	**12,073,378**

Retained earnings comprise current and prior period results as disclosed in the statements of profit or loss and other comprehensive income .

Retained earnings include an amount of €105,223 (2019: € 106,569) relating to deferred tax assets which are undistributable in terms of the Companies Act, Cap. 386.

Statements of cash flows

	Notes	The group 2020 €	The group 2019 €	The company 2020 €	The company 2019 €
Operating activities					
Profit before tax		4,499,389	3,036,116	2,758,176	1,689,948
Adjustments	37	880,016	992,504	(3,250,440)	(2,327,772)
Net changes in working capital	37	(520,150)	147,375	112,089	468,096
Tax paid		(1,163,436)	(863,820)	-	-
Tax refunded		189,077	143,228	189,077	142,031
Net cash generated from (used in) operating activities		**3,884,896**	**3,455,403**	**(191,098)**	**(27,697)**
Investing activities					
Payments to acquire plant and equipment		(42,117)	(58,831)	(3,928)	-
Payments to acquire intangible assets		(407,266)	(317,455)	(12,165)	-
Cash transferred upon disposal of subsidiary		-	(4,531)	-	-
Proceeds from sale of subsidiaries		-	94,455	-	159,603
Dividends received from subsidiaries		-	-	2,149,630	1,561,735
Net cash (used in) generated from investing activities		**(449,383)**	**(286,362)**	**2,133,537**	**1,721,338**

Statements of cash flows – continued

	Notes	The group 2020 €	The group 2019 €	The company 2020 €	The company 2019 €
Financing activities					
Payments for lease obligations to third parties		(96,055)	(102,386)	-	-
Payments for lease obligations to related company		(193,257)	(184,535)	-	-
Interest paid on leasing arrangements with third parties		(12,214)	(20,948)	-	-
Interest paid on leasing arrangements with a related company		(62,013)	(60,477)	-	-
Movement in loans and receivables		-	-	611,255	(714,050)
Movement in other financial liabilities		(1,221,321)	(1,077,272)	(1,221,321)	(1,006,574)
Proceeds from bank loan		739,456	-	-	-
Repayment of bank loans		(647,259)	(100,000)	-	-
Interest received		1,104	20,462	53,298	65,181
Interest paid on other financial liabilities		(70,720)	(69,697)	(74,525)	(44,193)
Dividends paid		(1,321,810)	(268)	(1,321,440)	-
Net cash used in financing activities		**(2,884,089)**	**(1,595,121)**	**(1,952,733)**	**(1,699,636)**
Net change in cash and cash equivalents		551,424	1,573,920	(10,294)	(5,995)
Cash and cash equivalents, beginning of year		1,829,338	255,418	236,709	242,704
Cash and cash equivalents, end of year	29	**2,380,762**	**1,829,338**	**226,415**	**236,709**

Notes to the financial statements

1 Nature of operations

The principal activities of the group are the sale, maintenance and servicing of information technology solutions, security systems and operates an electronic payment gateway. The company acts as a holding company.

2 General information and statement of compliance with IFRS

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. Consequent to a resolution of the shareholders taken on 22 October 2019, the company re-denominated its entire share capital from 11,390,318 ordinary shares of € 1 each to € 0.50 shares each and also converted its status from a private limited liability company to a public limited liability company, effective from 6 November 2019.

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 Refences 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 not 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 International Financial Reporting Standards as adopted by the EU. A contingent liability assumed in a business combination is recognised at the acquisition date if there is a present obligation that arises from past events and its fair value can be measured reliably.

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

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.

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, maintenance and servicing of information technology solutions, security systems and operates an electronic payment gateway.

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

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

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

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

The group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as contract liabilities in the statement of financial position (see note 34). 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 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 transfered 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 34).

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 the payment gateway. The group's revenue is mainly derived from the actual volume of traffic transacted in the reporting period 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.

4.12 Interest and dividends

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

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

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 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.

4.17 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.

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 4.21. The following useful lives are applied:

	Years
Internally developed software and acquired licences	3 – 10

Any capitalised internally developed software that is not yet complete is not amortised but is subject to impairment testing as described in note 4.21.

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

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

4.18 Plant and equipment

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

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:

	%
Furniture, fixtures and fittings	10
Office and computer equipment	20 – 33

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

4.19 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 and motor vehicles, the right-of-use assets are being amortised over the lease term as disclosed in note 21.

4.20 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.

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 in the profit or loss if the right-of-use asset is already reduced to zero.

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

4.21 Impairment testing of intangible assets and plant and equipment

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

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

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

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

4.22 Financial instruments

Recognition, initial measurement and derecognition

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

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

Classification and initial measurement of financial assets

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

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

• amortised cost
• fair value through profit or loss (FVTPL)
• fair value through other comprehensive income (FVOCI).

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

The classification is determined by both:

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

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs or finance 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, financial assets 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 (OCI) 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 IFRS 9's 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 broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

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

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

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

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

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

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 41.2 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 bank 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 finance income.

4.23 Inventories

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

4.24 Income taxes

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

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

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

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

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

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

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

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

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

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

4.25 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 bank borrowings in current liabilities in the statement of financial position.

4.26 Equity

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

Retained earnings include current period results as disclosed in the statement of profit or loss and other comprehensive income less dividend distributions.

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.

4.27 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.

4.28 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 4.17).

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 4.24).

Estimation uncertainty

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

Impairment of intangible assets including goodwill and tangible assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows (see note 4.21). In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the group's assets within the next financial year.

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

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

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

At 31 December 2019, goodwill 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 Company 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'), the Company was required to allocate the combined consideration of € 7.06 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 Company'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, management 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 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 – 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.

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.

5 Segment reporting

The group operates two business activities which are the sale of payment processing services and the provision of IT solutions and security systems. Each of these operating segments is managed separately as each of these lines requires 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 senior management of the group.

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

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

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

In 2020, the group had one significant contract whose revenue exceeded 10% of total revenues as disclosed in note 6. The group reports its revenue by geographical area in the following table and is divided between revenue generated in Malta, from EU countries and from non-EU countries.

Revenue by geographical area	2020	2019
	€	€
Malta	10,281,766	12,416,496
EU countries	3,671,984	3,176,681
Non-EU countries	5,263,618	456,195
	19,217,368	**16,049,372**

The revenue generated from implementation of the border security software solutions in Mauritius amounting to € 4,119,615 and which represented 21% of the group's total revenue, is reported in the 'Retail and IT Solutions' segment of the group (refer to the table below). In addition, at the end of the current reporting period, assets and liabilities pertaining to this project include an amount of contract assets for € 1,460,982 (note 6), inventories amounting to € 358,534 (note 26), as well as liabilities amounting to € 117,266 (note 33).

As at the end of the reporting period the total amount of intangible assets (including goodwill) and plant and equipment amounted to € 8,767,467 (2019: € 8,709,410) and € 191,944 (2019: € 248,224) respectively.

Measurement of operating segment profit or loss, assets and liabilities

Segment profit represents the profit earned by each segment after allocation of central administration costs and finance costs based on services and finance provided. This is the measure reported to senior management of the company 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	4,991,423	3,695,556
Unallocated amounts:		
Other unallocated amounts	(492,034)	(659,440)
	4,499,389	**3,036,116**

Assets

	2020 €	2019 €
Total assets for reportable segments	12,993,094	13,068,457
Elimination of receivables	(1,365,353)	(1,714,760)
Unallocated amounts:		
Plant and equipment	2,618	176
Goodwill	7,493,487	7,493,485
Intangible assets	8,110	-
Other investments	50,000	50,000
Loans and receivables	705,811	1,284,589
Trade and other receivables	5,000	52,830
Cash and cash equivalents	226,415	236,709
Deferred tax	105,223	106,569
Current tax asset	401,517	403,424
	20,625,922	**20,981,479**

Liabilities

	2020 €	2019 €
Total liabilities for reportable segments	9,271,578	10,550,425
Elimination of liabilities	(1,365,353)	(1,714,760)
Unallocated amounts:		
Trade and other payables	147,432	71,077
Other financial liabilities	500,000	1,721,321
	8,553,657	**10,628,063**

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

	Payment processing services €	Retail and IT solutions €	Total €	Unallocated €	Eliminations and adjustments €	Consolidated €
2020						
Revenue	7,796,063	12,987,177	20,783,240	399,186	(1,965,058)	19,217,368
Profit before tax	4,014,045	977,378	4,991,423	2,758,177	(3,250,211)	4,499,389
Depreciation and amortisation	402,436	391,435	793,871	5,538	(26,996)	772,413
Income tax expense	1,404,915	233,024	1,637,939	948,369	(1,127,578)	1,458,730
Segment assets	4,911,707	8,081,387	12,993,094	1,601,087	6,031,741	20,625,922
Capital expenditure	360,060	73,230	433,290	16,092	-	449,382
Segment liabilities	2,723,732	6,547,846	9,271,578	647,432	(1,365,353)	8,553,657
2019						
Revenue	6,138,051	11,304,096	17,442,147	352,703	(1,745,478)	16,049,372
Profit before tax	3,072,529	623,027	3,695,556	1,686,618	(2,346,058)	3,036,116
Depreciation and amortisation	348,334	359,769	708,103	8,639	(26,996)	689,746
Income tax expense	1,047,613	229,248	1,276,861	573,340	(902,857)	947,344
Segment assets	4,077,031	8,991,426	13,068,457	2,257,687	5,655,335	20,981,479
Capital expenditure	347,458	28,830	376,288	-	-	376,288
Segment liabilities	2,348,186	8,202,239	10,550,425	1,792,398	(1,714,760)	10,628,063

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 of goods	6,387,691	6,164,804	-	-
Consulting services and development	3,461,328	1,754,962	-	-
Maintenance, support and servicing	3,143,947	3,198,077	-	-
Payment gateway services	5,950,974	4,641,454	-	-
Other revenue	273,428	290,075	5,304	-
Management fees	-	-	393,882	352,703
	19,217,368	**16,049,372**	**399,186**	**352,703**

As disclosed in note 5, the revenue of the group is derived from Malta, EU and non-EU countries.

During 2020, included in payment gateway services is an amount of € 3,386,950 derived from EU countries (excluding Malta) and represents 18% of the group's total revenue (2019: € 3,596,780; 22%).

The group's revenue generated from a significant contract (non-EU) for the implementation of border security software solutions amounted to €4,119,615 and represents 21% of total revenue (2019: € nil).

The total group revenue from non-EU countries amounted to approximately 27% of total group revenue (2019: 4%).This is based on the contractual agreements with clients.

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

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

	The group 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 41.2.

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
Total revenue expected to be recognised	**3,485,275**	**1,591,093**	**1,189,175**	**29,384**

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 2019:

	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	18,822	38,119	-	2,336
	18,822	**38,119**	**-**	**2,336**

8 Investment income

	The group 2020 €	The group 2019 €	The company 2020 €	The company 2019 €
Dividends from subsidiaries	-	-	3,277,208	2,579,591
	-	**-**	**3,277,208**	**2,579,591**

9 Finance income

	The group 2020 €	The group 2019 €	The company 2020 €	The company 2019 €
Other income	1,104	182	-	-
Interest income from subsidiaries	-	-	53,298	60,906
Interest income from other related parties	-	13,969	-	-
Interest income from immediate parent	-	6,493	-	4,275
	1,104	**20,644**	**53,298**	**65,181**

10 Finance costs

	The group 2020 €	The group 2019 €	The company 2020 €	The company 2019 €
Interest on bank overdraft	12,090	32,692	-	-
Interest on bank borrowings	4,206	-	-	-
Interest expense for leasing arrangements payable to third parties	12,214	11,779	-	-
Interest expense for leasing arrangements payable to related parties	62,013	69,646	-	-
Interest payable to subsidiaries	-	-	20,101	24,106
Interest payable to immediate parent	54,424	26,412	54,424	20,087
Interest payable to other related parties	-	10,593	-	-
	144,947	**151,122**	**74,525**	**44,193**

11 Profit before tax

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

	The group 2020 €	The group 2019 €	The company 2020 €	The company 2019 €
Depreciation and amortisation (notes 18 and 19)	447,606	378,879	5,541	7,908
Depreciation on right-of-use assets (note 20)	324,807	310,844	-	-
Auditor's remuneration	36,100	33,330	12,000	15,000
Reversal of loss allowance on impaired receivables written-off(note 41.2)	(18,661)	(306,496)	-	-
Loss allowance recognised (note 41.2)	-	48,525	-	-
Reversal of provision no longer required (note 41.2)	(97,209)	-	-	-
Provision for inventories (note 26)	149,768	84,856	-	-
Inventories written-off (note 26)	4,228	35,041	-	-
Net exchange differences	93,027	(62,259)	-	-

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 € 12,000 (2019: € 15,000) and the remuneration payable in respect of the audits of the undertakings included in the consolidated financial statements amounted to € 24,100 (2019: € 33,300). Other fees payable to the parent company's auditors for non-audit services, namely the review of interim financial information, tax services and other fees, amounted to € 31,650 (2019: € 6,720).

12 Key management personnel compensation

	The group 2020 €	The group 2019 €	The company 2020 €	The company 2019 €
Directors' compensation				
Short term benefits:				
Fees				
Directors' fees	354,708	110,070	354,708	110,070
	354,708	**110,070**	**354,708**	**110,070**
Other key management personnel				
Short term benefits:				
Salaries and social security contributions	**278,000**	**64,184**	**278,000**	**64,184**
Total key management personnel compensation				
Short term benefits	**632,708**	**174,254**	**632,708**	**174,254**

In addition to the above and as indicated on page 13, during 2020, the CEO earned a one-time remuneration of € 79,331 as interim managing director in one of the subsidiaries of the group.

13 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	4,694,470	4,315,505	581,404	405,221
Social security costs	266,379	236,242	18,369	16,567
Maternity fund contributions	8,281	7,590	670	518
	4,969,130	**4,559,337**	**600,443**	**422,306**
Covid-19 wage supplement	(209,172)	-	-	
Capitalised wages	(272,604)	(277,038)	-	-
Recharges to group companies	-	-	-	(73,820)
	4,487,354	**4,282,299**	**600,443**	**348,486**

During 2020, the group received a total of € 209,172 as COVID-19 wage supplement. An amount of € 37,126 is deducted in administrative expenses and € 172,046 is deducted in cost of sales.

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

	The group 2020 No.	The group 2019 No.	The company 2020 No.	The company 2019 No.
Operations	94	92	-	-
Administration	28	23	12	5
	122	**115**	**12**	**5**

14 Tax expense

The major components of tax expense and the reconciliation of the expected tax expense based on the effective tax rate of the group and the company at 35% (2019: 35%) and the reported tax expense in the statement 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	4,499,389	3,036,116	2,758,176	1,689,948
Tax rate	35%	35%	35%	35%
Expected tax expense	**(1,574,786)**	**(1,062,641)**	**(965,362)**	**(591,482)**
Adjustment for local tax credits	10,307	-	-	-
Adjustment for other permanent difference	-	(491)	-	-
Adjustment for under provision tax in prior years	-	(11,176)	-	-
Adjustment for prior year deferred tax	-	479	-	-
Untaxed dividend	19,445	-	-	-
Income not chargeable to tax	-	129,202	19,445	-
Adjustment for foreign income charged different rates	100,275	-	-	-
Adjustment for disallowable expenses	(13,971)	(837)	(2,452)	(837)
Other permanent differences	-	(1,880)	-	(2,197)
Actual tax expense, net	**(1,458,730)**	**(947,344)**	**(948,369)**	**(594,516)**

	The group 2020 €	The group 2019 €	The company 2020 €	The company 2019 €
Comprising:				
Current tax expense	(1,439,186)	(887,395)	(947,023)	(687,801)
Foreign tax expense	(88,806)	-	-	-
Deferred tax credit / (expense)	69,262	(59,949)	(1,346)	93,285
	(1,458,730)	**(947,344)**	**(948,369)**	**(594,516)**

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

15 Dividends

A net final dividend and two net interim dividends totalling € 1,321,440 (€0.06 per share) were paid by the company in 2020 [2019: € 950,000 (€ 0.08 per share) based on the number of shares before the re-denomination of the shares as disclosed in note 30].

On 24 April 2020, the Company declared a final dividend of € 410,165 - € 0.018 per share, for 2019. This was paid on 15 May 2020. During the current year, the Company paid two net interim dividends amounting to € 911,275 - € 0.04 per share. On 26 March 2021, the directors propose a final net dividend of € 455,613, equivalent to € 0.02 per share, resulting in an aggregate net dividend for the financial year ended 31 December 2020 of € 1,366,888, equivalent to € 0.060 per share (2019 - € 1,360,165 - € 0.060 per share). This, together with the two interim dividends paid during the year, will be put forward for approval at the Company's next Annual General Meeting.

16 Earnings per share

The earnings per share have been calculated using the profit after tax attributable to shareholders as the numerator. No adjustments to profit were necessary during the current and preceeding accounting periods.

In addition, there are no other instruments which could give rise to potential ordinary shares and to a dilutive effect and therefore, only the basic earnings per share has been presented.

The weighted average number of shares for the period has been computed as the total number of shares at the end of the current year following the re-denomination of the shares as disclosed in notes 2 and 30.

	The group 2020	The group 2019
Post-tax profit attributable to ordinary shareholders	3,040,659	2,088,772
Weighted average number of shares in issue	22,780,636	22,780,636
Earnings per share (in cents)	**13.35c**	**9.17c**

17 Goodwill

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

	The group €
At 1 January 2019	7,493,487
At 31 December 2019	**7,493,487**
At 1 January 2020	7,493,487
At 31 December 2020	**7,493,487**
Carrying amount	
At 31 December 2019	**7,493,487**
At 31 December 2020	**7,493,487**

Amounts recognised as goodwill were based on predecessor accounting principles.

18 Intangible assets

The group	Total €
Gross carrying amount	
At 1 January 2019	1,961,093
Additions	317,455
Disposal upon sale of subsidiary	(104,903)
At 31 December 2019	**2,173,645**
At 1 January 2020	2,173,645
Additions	407,266
At 31 December 2020	**2,580,911**
Amortisation	
At 1 January 2019	711,192
Provision for the year	281,384
Released upon sale of subsidiary	(34,854)
At 31 December 2019	**957,722**
At 1 January 2020	957,722
Provision for the year	349,209
At 31 December 2020	**1,306,931**
Carrying amount	
At 31 December 2019	**1,215,923**
At 31 December 2020	**1,273,980**

The amortisation charge was included in administrative expenses.

Intangible assets include separately identified intangible assets acquired during 2014 as part of the business combinations.ovid

The group's intangible assets comprises of internally generated software and acquired licences.

These intangible assets of the group relate to APCO Systems's payment gateway system amounting to € 1,000,000. The useful life of this asset was considered to be finite due to possible technological obsolescence and is being amortised on a straight line basis. Until 31 December 2014, the group was amortising the intangible asset over 3 years. Following the knowledge generated, the group re-assessed the remaining useful life of the asset to be 10 years. Had the group not re-assessed 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.

Intangible assets

	Software
The company	**€**
Gross carrying amount	
At 1 January 2019	29,385
At 31 December 2019	**29,385**
At 1 January 2020	29,385
Additions	12,165
At 31 December 2020	**41,550**
At 1 January 2019	23,087
Provision for the year	6,298
At 31 December 2019	**29,385**
At 1 January 2020	29,385
Provision for the year	4,055
At 31 December 2020	**33,440**
Carrying amount	
At 31 December 2019	**-**
At 31 December 2020	**8,110**

The amortisation charge was included in administrative expenses.

The company's intangible assets of the current period comprises licences bought during the year whilst the the intangible assets of the previous period comprises of software generated by one of the subsidiaries of the group and sold to the company.

19 Plant and equipment

The group	Office and computer equipment	Furniture, fixtures and fittings	Total
	€	€	€
Cost			
At 1 January 2019	815,810	573,064	1,388,874
Additions	49,081	9,750	58,831
Disposal upon sale of subsidiary	(10,932)	-	(10,932)
At 31 December 2019	**853,959**	**582,814**	**1,436,773**
At 1 January 2020	853,959	582,814	1,436,773
Additions	40,042	2,075	42,117
At 31 December 2020	**894,001**	**584,889**	**1,478,890**
Depreciation			
At 1 January 2019	739,694	356,632	1,096,326
Charge for the year	52,027	45,468	97,495
Released on disposal of subsidiary	(5,272)	-	(5,272)
At 31 December 2019	**786,449**	**402,100**	**1,188,549**
At 1 January 2020	786,449	402,100	1,188,549
Charge for the year	52,617	45,780	98,397
At 31 December 2020	**839,066**	**447,880**	**1,286,946**
Carrying amount			
At 31 December 2019	**67,510**	**180,714**	**248,224**
At 31 December 2020	**54,935**	**137,009**	**191,944**

Plant and equipment

The following are the plant and equipment of the company:

The company	Total €
Gross carrying amount	
At 1 January 2019	11,470
Additions	-
At 31 December 2019	**11,470**
At 1 January 2020	11,470
Additions	3,928
At 31 December 2020	**15,398**
Amortisation	
At 1 January 2019	9,684
Provision for the year	1,610
At 31 December 2019	**11,294**
At 1 January 2020	11,294
Provision for the year	1,486
At 31 December 2020	**12,780**
Carrying amount	
At 31 December 2019	**176**
At 31 December 2020	**2,618**

The depreciation charge was included in administrative expenses.

20 Right-of-use assets

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

The group	Buildings €	Motor vehicles €	Total €
Gross carrying amount			
Adjustment on transition to IFRS 16 at 1 January 2019	1,870,349	346,481	2,216,830
Additions	-	76,633	76,633
At 31 December 2019	**1,870,349**	**423,114**	**2,293,463**
As at 1 January 2020	1,870,349	423,114	2,293,463
Additions	-	23,691	23,691
As at 31 December 2020	**1,870,349**	**446,805**	**2,317,154**
Depreciation			
Provision for the year	224,738	86,106	310,844
At 31 December 2019	**224,738**	**86,106**	**310,844**
As at 1 January 2020	224,738	86,106	310,844
Provision for the year	224,813	99,994	324,807
At 31 December 2020	**449,551**	**186,100**	**635,651**
Carrying amount			
At 31 December 2019	**1,645,611**	**337,008**	**1,982,619**
At 31 December 2020	**1,420,798**	**260,705**	**1,681,503**

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 21. Information about the accounting policy for the measurement and recognition of leases are disclosed in note 4.20.

The weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 is 3.93%. The incremental borrowing rate will be re-assessed every time a new lease is entered into by the group and the corresponding right-of-use asset recognised. New leases are assessed on a case-by-case basis.

These group's leases comprise mainly of its office space and car park lease and its motor vehicles.

21 Leases – The group

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

	2020 €	2019 €
Current:		
Lease liability	267,613	283,892
Non-current:		
Lease liability	1,473,305	1,722,647
	1,740,918	**2,006,539**

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

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 office 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 3 - 9 years, whilst the range of the remaining lease term of the motor vehicles 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			
	Not later than one Year €	Later than one year but not later than five years €	Later than five years €	Total €
31 December 2020				
Lease payments	330,785	1,024,162	649,808	2,004,755
Finance charges	(63,172)	(159,439)	(41,226)	(263,837)
Net present values	**267,613**	**864,723**	**608,582**	**1,740,918**

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

	Minimum lease payments			
	Not later than one Year €	Later than one year but not later than five years €	Later than five years €	Total €
31 December 2019				
Lease payments	357,365	1,127,266	857,814	2,342,445
Finance charges	(73,473)	(193,507)	(68,926)	(335,906)
Net present values	**283,892**	**933,759**	**788,888**	**2,006,539**

22 Investment in subsidiaries

22.1 The company

	2020 €	2019 €
At 1 January	11,119,723	11,184,871
Transfer of investment to a company within the group	-	(63,149)
Disposal of investment	-	(1,999)
At 31 December	**11,119,723**	**11,119,723**

On 21 May 2019, the company 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.

During the previous year, the investment in Poang Limited was transferred to APCO Systems Limited, another subsidiary within the group. Subsequently, during November 2019, Poang Limited merged with APCO Systems Limited.

Harvest Technology 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 %	
PTL Limited	Malta	99.99	99.99	Direct	100	100	Sale of IT solutions and security systems
APCO Limited	Malta	99.99	99.99	Direct	100	100	Sale of IT solutions and security systems
APCO Systems Limited	Malta	99.99	99.99	Direct	100	100	The operation of a payment gateway
Ipsyon Ltd	Malta	99.99	99.99	Direct	100	100	Holding of intellectual property

Information about direct subsidiaries of the company is as follows:

Name of company	Registered office	Capital and reserves at 31 December		Profit for the year ended 31 December	
		2020	2019	2020	2019
		€	€	€	€
PTL Limited	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta	**1,307,524**	666,058	**641,466**	236,523
APCO Limited	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta	**226,017**	123,129	**102,888**	157,256
APCO Systems Limited	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta	**1,816,475**	1,493,285	**1,873,190**	1,436,181
Ipsyon Limited	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta	**371,500**	235,560	**735,940**	588,735

23 Investments accounted for using the equity method

23.1 Investment in joint ventures

	The group 2020	The group 2019	The company 2020	The company 2019
	€	€	€	€

The group has investment in joint ventures 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 (in dissolution)	50	50	(3,200)	(3,200)	-	-

The registered office of Hili Salomone Company Limited is Nineteen Twenty-Three, Valletta Road, Marsa, Malta. The group does not expect any return from this investment once the dissolution process has been completed.

24 Other investment

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

During 2017, an investment of € 50,000 has been made in Thought3D Ltd through Harvest Technology p.l.c., corresponding to 3.33% of this investment's share capital.

25 Loans and receivables

	The group 2020 €	The group 2019 €	The company 2020 €	The company 2019 €
Loans receivable from subsidiaries	-	-	793,000	1,399,422
	-	**-**	**793,000**	**1,399,422**
Comprising:				
Non-current				
Loans receivable from subsidiaries	-	-	350,000	450,000
	-	**-**	**350,000**	**450,000**
Current				
Loans receivable from subsidiaries	-	-	443,000	949,422
	-	**-**	**443,000**	**949,422**

Loans issued to subsidiaries, bear an interest of 4.5% per annum (2019: 4.5% per annum).

26 Inventories

	The group 2020 €	The group 2019 €	The company 2020 €	The company 2019 €
Spare parts, computers and other equipment	1,374,644	993,162	-	-
Provision on spare parts, computer and other equipment	(376,086)	(226,318)	-	-
Stock in transit	203,463			
Contract in progress	821,626	1,652,606	-	-
	2,023,647	**2,419,450**	**-**	**-**

The amount of inventories recognised as an expense during the year amounted to €5,395,174 (2019: €4,907,080).

Write-off of inventories recognised in the statement of profit or loss and other comprehensive income during the year amounted to € 4,228 (2019: € 35,041) and are included with cost of sales.

The increase in the provision for losses on inventories of spare parts and other equipment for the year amounted to € 149,768 (2019: increase of € 84,856).

27 Other assets

	The group 2020 €	The group 2019 €	The company 2020 €	The company 2019 €
Prepayments	113,350	109,219	9,204	8,557
	113,350	**109,219**	**9,204**	**8,557**

28 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	2,382,975	4,508,353	-	-
Allowance for expected credit losses	(153,288)	(269,158)	-	-
Trade receivables – net	2,229,687	4,239,195	-	-
Amounts owed by parent company	16,025	654	-	-
Advance payments	6,623	-	-	-
Other receivables	43,172	86,334	-	39,470
Amounts due from associates	5,000	-	5,000	-
Amounts owed by other related parties	25,602	52,219	-	-
Financial assets	**2,326,109**	**4,378,402**	**5,000**	**39,470**
Other receivables	371,218	15,815	-	13,359
Trade and other receivables – current	**2,697,327**	**4,394,217**	**5,000**	**52,829**

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, subsidiaries and other related parties are unsecured, interest free and repayable on demand.

Note 41.2 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses.

29 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	2,554,041	2,133,336	226,415	236,709
Cash and cash equivalents in the statements of financial position	**2,554,041**	**2,133,336**	**226,415**	**236,709**
Bank overdrafts (note 32)	(173,279)	(303,998)	-	-
Cash and cash equivalents in the statements of cash flows	**2,380,762**	**1,829,338**	**226,415**	**236,709**

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.

30 Share capital

The share capital of Harvest Technology p.l.c. consists of ordinary shares with a par value of € 0.50. All shares are equally eligible to receive dividends and repayment of capital and represent one vote at the shareholders' meeting of the company. During 2019, the nominal value of the authorised and issued share capital of the company was re-denominated from a nominal value of € 1 per share to a noiminal value of € 0.50 per share.

	2020 €	2019 €
Shares issued and fully paid at 31 December		
22,780,636 ordinary shares of € 0.50 each	**11,390,318**	**11,390,318**
Shares authorised at 31 December		
70,000,000 ordinary shares of € 0.50 each	**35,000,000**	**35,000,000**

31 Other equity

	The group 2020 €	The group 2019 €
Other equity	**2,821,365**	**2,821,365**

On 30 December 2013, 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. had 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.

32 Bank borrowings

	The group 2020 €	The group 2019 €	The company 2020 €	The company 2019 €
Bank overdrafts	173,279	303,998	-	-
Bank loans	292,197	200,000	-	-
	465,476	**503,998**	**-**	**-**
Comprising:				
Non-current liabilities				
Bank loans	-	100,000	-	-
	-	**100,000**	**-**	**-**
Current liabilities				
Bank overdrafts	173,279	303,998	-	-
Bank loans	292,197	100,000	-	-
	465,476	**403,998**	**-**	**-**

One of the subsidiaries had a bank loan 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 had a facility of USD 1,000,000. The company utilised € 739,456. At 31 December 2020, the outstanding loan from this facility amounted to € 292,197 as shown above. The loan bears interest of 2.5% per annum over 3-month LIBOR and is secured by a first general hypothec over the company's assets and a guarantee by the parent company. The loan was fully repaid by the end of January 2021.

The group has three overdraft facilities in two of its subsidiaries. One of the overdraft facilities bears interest at 4.85% per annum and is secured by a second general hypothec over 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.

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	465,476	403,998	-	-
In the second year	-	100,000	-	-
	465,476	**503,998**	**-**	**-**

33 Trade and other payables

	The group 2020 €	The group 2019 €	The company 2020 €	The company 2019 €
Trade payables	924,186	1,392,106	1,770	9,456
Amounts payable to ultimate parent	4,833	-	4,833	-
Amounts payable to related parties	963	6,196	-	-
Other payables	87,647	40,982	-	-
Accrued expenses	1,411,391	1,131,579	119,788	48,068
Financial liabilities	**2,429,020**	**2,570,863**	**126,391**	**57,524**
Other creditors	614,425	641,572	21,041	13,553
Trade and other payables – current	**3,043,445**	**3,212,435**	**147,432**	**71,077**

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	1,449,310
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	**2,244,737**

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 company 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 € 338,430.

35 Other financial liabilities

	The group 2020 €	The group 2019 €	The company 2020 €	The company 2019 €
Amounts owed to parent company	500,000	1,721,321	500,000	1,721,321
	500,000	**1,721,321**	**500,000**	**1,721,321**
Comprising:				
Non-current liabilities				
Amounts owed to parent company	-	721,321	-	721,321
	-	**721,321**	**-**	**721,321**
Current liabilities				
Amounts owed to parent company	500,000	1,000,000	500,000	1,000,000
	500,000	**1,000,000**	**500,000**	**1,000,000**

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

36 Deferred tax assets

Deferred tax arising from temporary differences for the group are summarised as follows:

The group	1 Jan 2020 €	Recognised in profit or loss €	De-recognised on disposal of subsidiary €	31 Dec 2020 €
Deferred tax assets arising on:				
Plant and equipment	22,542	(28,741)	-	(6,199)
Intangible assets	-	(4,078)	-	(4,078)
Leases	8,371	12,404	-	20,775
Unabsorbed capital allowances	102,147	2,245	-	104,392
Provisions	182,527	98,125	-	280,652
Difference on exchange	(5)	11	-	6
Total	**315,582**	**79,966**	**-**	**395,548**
Deferred tax liabilities arising on:				
Intangible assets	(273,072)	(70,417)	-	(343,489)
Plant and equipment	(65,852)	59,713	-	(6,139)
Total	**(338,924)**	**(10,704)**	**-**	**(349,628)**

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

The group	1 Jan 2019 €	Recognised in profit or loss €	De-recognised on disposal of subsidiary €	31 Dec 2019 €
Deferred tax assets arising on:				
Plant and equipment	24,348	(4,392)	2,586	22,542
Leases	-	8,371	-	8,371
Unabsorbed capital allowances	24,367	94,411	(16,631)	102,147
Unabsorbed tax losses	12,759	(12,759)	-	-
Provisions	262,250	(79,723)	-	182,527
Difference on exchange	-	(5)	-	(5)
Total	**323,724**	**5,903**	**(14,045)**	**315,582**
Deferred tax liabilities arising on:				
Intangible assets	(273,072)	-	-	(273,072)
Plant and equipment	-	(65,852)	-	(65,852)
Total	**(273,072)**	**(65,852)**	**-**	**(338,924)**

Deferred tax arising from temporary differences for the company are summarised as follows:

The company	1 Jan 2020 €	Recognised in profit or loss €	31 Dec 2020 €
Deferred tax assets arising on:			
Plant and equipment	2,556	(1,725)	831
Unabsorbed tax losses and capital allowances	102,147	2,245	104,392
Provisions	1,866	(1,866)	-
Total	**106,569**	**(1,346)**	**105,223**

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

	1 Jan 2019 €	Recognised in profit or loss €	31 Dec 2019 €
Deferred tax assets arising on:			
Plant and equipment	4,387	(1,831)	2,556
Unabsorbed tax losses and capital allowances	7,031	95,116	102,147
Provisions	1,866	-	1,866
Total	**13,284**	**93,285**	**106,569**

See note 14 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 before tax to arrive at operating cash flow:

	The group 2020 €	The group 2019 €	The company 2020 €	The company 2019 €
Adjustments:				
Depreciation and amortisation	447,606	378,879	5,541	7,908
Depreciation on right-of-use assets	324,807	310,844	-	-
Dividends receivable	-	-	(3,277,208)	(2,579,591)
Movement in provision for doubtful debts	(115,870)	(257,971)	-	-
Bad debts written off	18,661	306,496	-	-
Profit on disposal of PPE	-	-	-	-
Unrealised exchange movements	(93,027)	(54,664)	-	-
Loss on disposal of subsidiary	-	58,363	-	264,899
Movement in provision for inventories	149,768	84,856	-	-
Inventories written off	4,228	35,041	-	-
Interest expense on leasing arrangements	74,227	81,425	-	-
Interest payable	70,720	69,697	74,525	44,193
Interest receivable	(1,104)	(20,462)	(53,298)	(65,181)
	880,016	**992,504**	**(3,250,440)**	**(2,327,772)**
Working capital:				
Change in inventories	241,807	(1,799,834)	-	-
Change in contract assets	(1,533,579)	630,508	-	-
Change in trade and other receivables	1,777,076	(10,282)	40,567	542,448
Change in trade and other payables	(75,963)	613,230	71,522	(74,352)
Change in contract liabilities	(929,491)	713,753	-	-
	(520,150)	**147,375**	**112,089**	**468,096**

38 Reconciliation of liabilities arising from financing activities

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

The group	Notes	Balance at 1 January 2020 €	Cash flows €	Other non-cash changes €	Balance at 31 December 2020 €
Leases	21	2,006,539	(363,539)	97,918	1,740,918
Bank loans	32	200,000	92,197	-	292,197
Amounts owed to parent company	35	1,721,321	(1,221,321)	-	500,000
		3,927,860	**(1,492,663)**	**97,918**	**2,533,115**

During 2020, the company recognised additional lease liabilities amounting to € 23,691. Total cash payments made on leases during the year amounted to € 363,539 (inclusive of interest). The interest expense during the year amounted to € 74,227. The interest, together with the additions to leases recognised during the year mainly represent the non-cash movements of € 97,918 presented above for leases.

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

The group	Notes	Balance at 1 January 2019 €	Cash flows €	Other non-cash changes €	Balance at 31 December 2019 €
Leases	21	-	(368,346)	2,374,885	2,006,539
Bank loans	32	300,000	(100,000)	-	200,000
Amounts owed to parent company	35	4,214,968	(1,077,272)	(1,416,375)	1,721,321
Amounts owed to jointly controlled entities	35	3,673	(3,673)	-	-
Amounts owed to other related parties	35	273,720	(273,720)	-	-
Amounts owed to a shareholder	35	12,475	(12,475)	-	-
		4,804,836	**(1,835,486)**	**958,510**	**3,927,860**

During 2019, the group adopted IFRS 16 and as a result recognised lease liabilities amounting to € 2,216,830 on 1 January 2019 and an additional € 76,633 during the same year. Cash payments made on leases amounted to € 368,346 (inclusive of interest). The interest expense during the year amounted to € 81,425. The interest, together with the adjustment upon initial recognition of IFRS 16, represent the non-cash movements of € 2,374,885 presented above for leases.

Other significant non-cash movements for the group during 2019 comprise a decrease of € 87,099 in liabilities upon disposal of a subsidiary and other amounts totaling € 1,329,276 which have been set-off against receivables from related parties.

The tables below details the company's liabilities arising from financing activities.

The company	Notes	Balance at 1 January 2020 €	Cash flows €	Other non-cash changes €	Balance at 31 December 2020 €
Amounts owed to parent company	35	1,721,321	(1,221,321)	-	500,000
		1,721,321	**(1,221,321)**	**-**	**500,000**

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

The company	Notes	Balance at 1 January 2019 €	Cash flows €	Other non-cash changes €	Balance at 31 December 2019 €
Amounts owed to parent company	35	3,812,704	(970,514)	(1,120,869)	1,721,321
Amounts owed to jointly controlled entities	35	3,673	(3,673)	-	-
Amounts owed to other related parties	35	26,811	(26,811)	-	-
Amounts owed to associates and JVs	35	90	(90)	-	-
Amounts owed to a shareholder	35	5,486	(5,486)	-	-
		3,848,764	**(1,006,574)**	**(1,120,869)**	**1,721,321**

The significant non-cash movements for the company during 2019 comprise amounts totaling € 1,120,869 which have been set-off against receivables from related parties.

39 Related party transactions

Harvest Technology p.l.c. is the parent company of the subsidiary undertakings highlighted in note 22. The parent company of Harvest Technology p.l.c. is 1923 Investments p.l.c. which is incorporated in Malta. The ultimate parent of the group is Hili Ventures Limited. The registered office of 1923 Investments p.l.c. and Hili Ventures Limited, is Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000, Malta. Both entities draw up consolidated financial statements with 1923 Investments p.l.c. incorporating the results of Harvest Technology p.l.c. group. All consolidated financial statements may be obtained from the abovementioned registered address.

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

The group	2020 Related party activity €	2020 Total activity €	2020 %	2019 Related party activity €	2019 Total activity €	2019 %
Revenue:						
Related party transactions with:						
Ultimate parent	38,340			31,764		
Parent company	135,778			125,104		
Other related parties	163,349			168,594		
	337,467	19,217,368	2	325,462	16,049,372	2
Cost of sales:						
Related party transactions with:						
Ultimate parent				-		
Parent company				-		
Other related parties	(10,807)			(25,235)		
	(10,807)	(10,586,874)	-	(25,235)	(8,963,451)	-
Administrative expenses:						
Related party transactions with:						
Ultimate parent	(887)			(8,114)		
Parent company	(10,025)			(636,241)		
Other related parties	(269,892)			(379,508)		
	(280,804)	(4,006,084)	7	(1,023,863)	(3,899,083)	26
Finance income:						
Related party transactions with:	-					
Parent company	-			6,493		
Ultimate parent	-			13,969		
	-	1,104	-	20,462	20,644	99
Finance cost:						
Related party transactions with:						
Parent company	(54,424)			(26,412)		
Other related parties	(62,013)			(80,239)		
	(116,437)	(144,947)	80	(106,651)	(151,122)	71

The company	2020 Related party activity €	Total activity €	%	2019 Related party activity €	Total activity €	%
Revenue:						
Related party transactions with:						
Subsidiaries	399,186			352,703		
	399,186	399,186	100	352,703	352,703	100
Administrative expenses:						
Related party transactions with:						
Ultimate parent	(1,831)			-		
Parent company	(5,211)			(485,833)		
Other related parties	(888)			-		
Subsidiaries	(44,676)			(31,764)		
	(52,606)	(896,991)	6	(517,597)	(1,000,771)	52
Finance income:						
Related party transactions with:						
Parent company	-			4,275		
Subsidiaries	53,298			60,906		
	53,298	53,298	100	65,181	65,181	100
Finance cost:						
Related party transactions with:						
Parent company	(54,424)			(20,087)		
Subsidiaries	(20,101)			(24,106)		
	(74,525)	(74,525)	100	(44,193)	(44,193)	100

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

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.

Key management personnel compensation is disclosed in note 12. Dividend income is disclosed in note 8.

The amounts due to/from other related parties at period-end are disclosed in notes 25, 28, 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 related parties as disclosed in note 25 are unsecured and bear interest at 4.5% (2019: 4.5%). The amounts due in note 28 are unsecured, interest free and repayable on demand.

The group and the company's other financial liabilities disclosed in note 35 are unsecured, and bear interest at 4.5% (2019: 4.5%).

Contingent liabilities and guarantees are disclosed in note 40.

40 Contingent liabilities

At the end of the previous reporting period ended 31 December 2019, one of the group's subsidiaries had guarantees in issue 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.

41 Financial instrument risk

Risk management objectives and policies

The group is exposed to various risks in relation to financial instruments. The group's financial assets and liabilities by category are summarised in note 41.4. The main types of risks are market risk, credit risk and liquidity risk.

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

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

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

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

41.1 Market risk analysis

Foreign currency risk

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

The 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 loans and receivables with a fixed coupon as disclosed in note 25 and 39, and cash at bank with a floating coupon as disclosed in note 29. The group has taken out interest bearing facilities as disclosed in notes 32 and 35. The interest rates thereon and the terms of such borrowings are disclosed accordingly. The group has loans and receivables and cash at bank with interest rates as disclosed in notes 25, 29 and 39.

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

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

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

41.2 Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the group. The group is exposed to credit risk from financial assets including cash and cash equivalents held at banks, loans and receivables, trade and other receivables. 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:					
Loans and receivables	25	-	-	793,000	1,399,422
Trade and other receivables	28	2,326,109	4,378,402	5,000	39,470
Cash and cash equivalents	29	2,554,041	2,133,336	226,415	236,709
		4,880,150	**6,511,738**	**1,024,415**	**1,675,601**

Credit risk management

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. By 31 December 2020, the group had received or settled all amounts due from related parties.

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

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

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

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

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

Trade receivables consist of a large number of customers in various industries and mainly in Malta. At 31 December 2020, the group also had a significant financial asset on its ongoing project in Mauritius as contract assets as disclosed in note 6.

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 40.

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 31 December 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, including Malta and Mauritius, where significant business is being conducted. It has also taken into consideration the financial position of, and risk exposure to, large customers in order to determine whether the group's credit risk has increased as a result of the pandemic. There are no particular indicators that suggest that the assessment of the expected credit risk model adopted by the group materially varies from expectations of collectability and previous patterns of payments from such customers. Furthermore, 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 other is considered indicators of no reasonable expectation of recovery.

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

31 December 2020	**Current**	**More than 30 days**	**More than 60 days**	**More than 90 days**	**Total**
Expected credit loss rate (%)	0.63%	1.88%	4.80%	24.14%	
Gross carrying amount (€)	1,239,415	482,242	119,712	541,606	2,382,975
Lifetime expected credit loss	7,775	9,049	5,741	130,723	153,288

31 December 2019	**Current**	**More than 30 days**	**More than 60 days**	**More than 90 days**	**Total**
Expected credit loss rate (%)	0.59%	1.94%	4.84%	26.94%	
Gross carrying amount (€)	1,429,149	1,948,725	369,026	761,453	4,508,353
Lifetime expected credit loss	8,407	37,719	17,875	205,157	269,158

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

The loss allowance at the end of the previous reporting period that ended 31 December 2019 included an amount of receivables which were written off during the current year as disclosed below. Consequently, the expected loss rate for amounts receivable that are due for more than 90 days decreased as a result.

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

	The group 2020 €	**The group 2019 €**
Opening loss allowance as at 1 January	269,158	527,129
Loss allowance recognised during the year	-	48,525
Reversal of provision no longer required	(97,209)	-
Reversal of loss allowance on impaired receivables written off	(18,661)	(306,496)
Loss allowance as at 31 December	**153,288**	**269,158**

41.3 Liquidity risk

The group and company's exposure to liquidity risk arises from its obligations to meet its financial liabilities, which comprise bank borrowings, trade and other payables and other financial liabilities (see notes 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 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	2,429,020	-	-	-	2,429,020
Fixed rate instruments	792,197	-	-	-	792,197
Variable-rate instruments	173,279	-	-	-	173,279
	3,394,496	**-**	**-**	**-**	**3,394,496**

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

31 December 2019	On demand or within 1 year	1 - 2 years	2 - 5 years	More than 5 years	Total
Non-derivative financial liabilities					
Non-interest bearing	2,570,863	-	-	-	2,570,863
Fixed rate instruments	1,100,000	821,321	-	-	1,921,321
Variable-rate instruments	303,998	-	-	-	303,998
	3,974,861	**821,321**	**-**	**-**	**4,796,182**

The company

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	126,391	-	-	-	126,391
Fixed rate instruments	500,000	-	-	-	500,000
	626,391	**-**	**-**	**-**	**626,391**

31 December 2019	On demand or within 1 year	1 - 2 years	2 - 5 years	More than 5 years	Total
Non-derivative financial liabilities					
Non-interest bearing	57,524	-	-	-	57,524
Fixed rate instruments	1,000,000	721,321	-	-	1,721,321
	1,057,524	**721,321**	**-**	**-**	**1,778,845**

41.4 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 4.22 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	-	-	350,000	450,000
Current assets				
Loans and receivables	-	-	443,000	949,422
Trade and other receivables	2,326,109	4,378,402	5,000	39,470
Cash and cash equivalents	2,554,041	2,133,336	226,415	236,709
	4,880,150	**6,511,738**	**674,415**	**1,225,601**
Non-current liabilities				
Bank borrowings	-	100,000	-	-
Other financial liabilities	-	721,321	-	721,321
	-	**821,321**	**-**	**721,321**
Current liabilities				
Financial liabilities measured at amortised cost:				
Bank borrowings	465,476	403,998	-	-
Trade and other payables	2,429,020	2,570,863	126,391	57,524
Other financial liabilities	500,000	1,000,000	500,000	1,000,000
	3,394,496	**3,974,861**	**626,391**	**1,057,524**

41.5 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, the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively approximated their fair values due to the short-term maturities of these assets and liabilities.

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

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

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the company 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 liabilities at amortised cost					
Related party loans	-	500,000	-	500,000	500,000
Bank overdraft and loans	-	465,476	-	465,476	465,476
	-	**965,476**	**-**	**965,476**	**965,476**

31 December 2019	**Level 1**	**Level 2**	**Level 3**	**Total**	**Carrying amount**
	€	**€**	**€**	**€**	**€**
Financial liabilities at amortised cost					
Related party loans	-	1,721,321	-	1,721,321	1,721,321
Bank overdraft and loans	-	503,998	-	503,998	503,998
	-	**2,225,319**	**-**	**2,225,319**	**2,225,319**

The company

31 December 2020	Level 1 €	Level 2 €	Level 3 €	Total €	Carrying amount €
Financial assets					
Loans and receivables					
Receivables from related parties	-	793,000	-	793,000	793,000
	-	**793,000**	**-**	**793,000**	**793,000**
Financial liabilities at amortised cost					
Related party loans	-	500,000	-	500,000	500,000
	-	**500,000**	**-**	**500,000**	**500,000**

31 December 2019	Level 1 €	Level 2 €	Level 3 €	Total €	Carrying amount €
Financial assets					
Loans and receivables					
Receivables from related parties	-	1,399,422	-	1,399,422	1,399,422
	-	**1,399,422**	**-**	**1,399,422**	**1,399,422**
Financial liabilities at amortised cost					
Related party loans	-	1,721,321	-	1,721,321	1,721,321
	-	**1,721,321**	**-**	**1,721,321**	**1,721,321**

42 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 bank borrowings and other financial liabilities disclosed in notes 32 and 35, cash and cash equivalents as disclosed in note 29 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.

43 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.

44 Immediate parent company, ultimate parent company and controlling party

The immediate parent company of Harvest Technology p.l.c. is 1923 Investments p.l.c..

The registered office of 1923 Investments p.l.c. is Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000, Malta. The ultimate parent of Harvest Technology p.l.c. is Hili Ventures Limited with the same registered address.

The directors consider the ultimate controlling party to be Mr Carmelo (sive Melo) Hili, who, through his interest in Hili Ventures Limited, holds 48.87% of the voting rights in Harvest Technology p.l.c.

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Independent auditor's report

To the shareholders of Harvest Technology p.l.c.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Harvest Technology p.l.c. (the "Company") and of the Group of which it is the parent, set out on pages 31 to 92, 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 11 to the financial statements.

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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 in the consolidated financial statements

Key audit matter

Goodwill with a carrying amount of €7.49 million as at 31 December 2020 is included in 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 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 amount of goodwill which is 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 note 4.28 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 as at 31 December 2020 to be recoverable and that there is no impairment in the value of the goodwill.

Assessment of carrying amount of investments in subsidiaries 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 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 and other investments which, at 31 December 2020, amounted € 11.12 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 4.28 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 to be recoverable and that there is no impairment in the value of the investments.

Other information

The directors are responsible for the other information. The other information comprises (i) the Chairman's message, (ii) the Chief Executive Officer's review, (iii) the Directors' report and (iv) Corporate Governance – Statement of Compliance 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. Those charged with governance 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.

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.

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- 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.

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Report on other legal and regulatory requirements

Report on the Statement of Compliance with the Principles of Good Corporate Governance

The Listing Rules issued by the Malta Listing Authority (the "Listing Rules") require the directors to prepare and include in their Annual Report a Statement of Compliance 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 15 to 30 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.

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Auditor tenure

We were first appointed as auditors of the Company and the Group on 30 September 2016. Our appointment has been renewed annually by a shareholders' resolution representing a total period of uninterrupted engagement appointment of five 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

26 March 2021