

## COMPANY ANNOUNCEMENT

Loqus Holdings p.l.c. (the "Company")

### Financial Statements

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Date of Announcement	31 <sup>st</sup> October 2019
Reference	182/2019

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This is a company announcement made by the Company in compliance with Chapter 5 of the Listing Rules:

#### QUOTE

With reference to the company announcement 181/2019 issued yesterday, the financial statements approved yesterday are attached hereto.

The financial statements may also be downloaded from <https://www.loqusgroup.com/financial-statements.html>

#### UNQUOTE



Adrian Mallia  
Company Secretary



**LOQUS HOLDINGS P.L.C.**

**Annual Report  
and  
Financial Statements**

**30 June 2019**

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## **CHAIRMAN'S STATEMENT**

Dear Shareholder,

Fiscal 2018/2019 was another year of significant progress. We have achieved record revenues, especially from our fleet management business, demonstrating the strength of our business model and successful execution of our strategy.

These results are a reminder of Loqus' transformation over the last few years and its huge potential, which is also being acknowledged by our customers and partners. The revenue recorded this year saw an 18% decrease in our legacy revenue, back-office processing, due to customer related industrial action. The management team was pro-active and ensured that Group results are not effected by such action. This has resulted in an increase in total revenue of 12% over the previous financial year.

The significant investment in our research and development in recent years provide a strong foundation to build on. The fundamentals of the Group's strategy have remained consistent for a significant period of time and is built on the development of a market-leading range of competitive products to enable further penetration of our existing target markets. Loqus is well positioned to seize the new opportunities, thanks to its growing geographical reach, scale and the openFleet product and capabilities it has developed in recent years.

The Group's business model is based on three key sources of value – product, partnerships and people. A key part of the Board's role is to ensure that we deploy these areas of expertise across the Group to maximise value creation in order to further our international expansion ambitions.

We have significant strength and depth within our Group, with our executive directors boasting long tenures with Loqus. As the Group has grown, we have consistently added more talent across the business and it is this talent which is now helping to generate the desired results.

I would like to take this opportunity to extend my sincere gratitude to our shareholders, customers and business partners for their continuous support and trust and thank my fellow directors for their concerted effort and insights through the past years. These achievements would not be attained without the effort of the Group's management team and the unwavering commitment of our staff. I want to thank everyone at Loqus for their continuing commitment to our success. I sincerely feel that we are at the crossroads and I look forward to seeing Loqus achieving the next level of success.



**WALTER BONNICI**

Group Chairman

30 October 2019

## **GROUP CHIEF EXECUTIVE OFFICER'S REVIEW**

Dear Shareholder,

I am pleased to present the results for the year ended 30 June 2019. Our fleet management business is going from strength to strength and all other areas of the Group's activities are performing well.

### **GROUP OPERATIONAL PERFORMANCE**

Revenues from our fleet management business for the last 12 months now account for 52% of our revenue stream. This is a first for the Group and is a result of the intensive research and development efforts, product design and development together with a strong focus on international marketing and sales. The Group's revenues are now predominantly recurrent as opposed to one time fees as Software as a Service (SaaS) products now form the majority of our portfolio.

	<b>2019</b>	2018	2017
	<b>EUR</b>	EUR	EUR
<b>FINANCIAL</b>			
<b>Revenue</b>	<b>4,376,375</b>	3,897,951	3,476,867
<b>Operating profit</b>	<b>1,694,546</b>	1,746,537	1,522,007
<b>EBITDA</b>	<b>1,174,395</b>	1,171,421	990,015
<b>Profit for the year</b>	<b>257,689</b>	642,042	484,014
<b>EBITDA % of revenue</b>	<b>27%</b>	30%	28%
<b>Profit for the year (% of revenue)</b>	<b>6%</b>	16%	14%
<b>LIQUIDITY</b>			
<b>Cash generated from operations</b>	<b>1,257,387</b>	870,943	941,943
<b>Net cash</b>	<b>(101,183)</b>	(29,494)	128,732
<b>NUMBER OF EMPLOYEES</b>	<b>91</b>	90	88

openFleet, our core fleet product, gained further momentum as its roll-out accelerated during the year. Fleet management revenue increased by 51%, from EUR1.4million in the prior year to EUR2.2million in the year under review; most importantly recurrent revenues. We have consolidated our presence in the UK through the acquisition of new strategic accounts and have started a string of paid pilots across the EU.

This year was also marked by a temporary decrease in revenue from one of our key legacy customers as a result of industrial action at the customer. We have worked hard with this customer to address this situation and I'm happy to report that we're back to business as usual. This loss in revenue for the financial periods of 2018/2019 and 2019/2020 has been absorbed by growth in revenues in other areas.

Our UK contracts are denominated in pound sterling, which is currently dominated by the political instability caused by Brexit. We believe that the drop in Euro value will be absorbed by the growth in our annual revenue streams.

The decrease in the profit for the year is mainly due to one-time creditor write-offs, of EUR188k, and reversal of finance costs, of EUR105k, which took place in the previous financial year.

Following our important investment in research and development on the openFleet product line, amortisation costs relating to this investment is on the increase. Our cash flow from operations increased by a healthy 44% which allowed the Group to finance its investment in openFleet. This investment is the life blood of our business and our plans are to continue to invest in extending the openFleet product into new and practical directions.

Loqus has generated a positive EBITDA and annual profit for the last five years. We are also pleased to report that for the second time in five years the Group is reporting a profit across all segments of the Group.

## **CAPITAL REQUIREMENTS**

The Group has a clear financial framework and remains highly disciplined to continue to increase working capital to ensure that we can achieve the most important investment required in innovation and sales development. All the research and development has been financed through the cash generated from operations over the past years. Now that contracted annual revenues on our new SaaS offerings is growing, our focus will be to return to a positive cash position.

## **CORPORATE STRATEGY**

During the financial year ending 30 June 2019, Loqus continued to focus extensively on the openFleet platform – a modular end-to-end platform which combines route planning & optimisation, mobile job management and real-time tracking into a single, easy to use, online platform.

The platform has been adopted by businesses who are market leaders in their own industry and include names such as Dixons Carphone, DPD, Spicers, Lords and Fisher Scientific. During 2018/2019 in excess of 1.2 billion transactions were managed by the platform.

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*We routed around 300 million deliveries this year*

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The Group has also managed to grow its market share through the acquisition of key strategic accounts in Europe which once implemented, will add another 12,000 units onto the openFleet platform. This year we have strengthened our focus on the customer and the way we do things; from our people to our processes and all things in between.

Key to the success is the Group's focus on the 3 key pillars:

- ♥ **People** hence employee well-being and retention,
- ♥ **Product** continuous investment to create products which address customers' needs and finally investment in nurturing the
- ♥ **Partner** network who act as the main interface from cradle to grave.

These 3 pillars work in tandem to deliver the product and related services sought by customers.

Loqus is slowly but surely becoming a company with a solid core of real products that logistic and service providers looking for solutions in the 'last mile' are looking at as a matter of course. After the bitter experiences of 2008, our focus on recurrent revenues backed by medium and long-term contracts is aimed to mitigate the effect of potential downward cycles or political uncertainty. Crucially, this strategy allows us to actively manage our profitability levels.

## **BUSINESS DEVELOPMENT**

Our partner network is a constant encouragement to us. We have invested in new partners that are already producing results and to further strengthen and facilitate these relationships, we appointed two new resources.

Loqus Group further improved its Fleet management revenue in 2018/2019 and continued to strengthen its international presence, especially in the UK, through the positive development in the order book.

## **FORWARD-LOOKING STRATEGY**

Our long-term strategic planning continues to focus on increasing the value of our products through innovation and quality. During this year we have won important contracts from some of Europe's leading companies in construction, retail and delivery. We have come up against competitors who are considerably larger than Loqus and seen to be the market leaders in our business and have won on functionality and innovation. This is a significant milestone for us.

We have made good inroads in growing inside the UK market with openFleet, the EU market is our natural next step. We participated and won a competitive process to supply one of the largest pan-European parcel delivery companies with an innovative solution to improve their operations. We are currently in the middle of a paid pilot in this project that will enable us to start positioning our products to meet the different practices, legislation, languages and requirements across the EU.

Looking ahead, we have more to do, and I am confident that we are progressing in the right direction. We are on track to fulfil our ambitious targets by making continuous improvements throughout our business to achieve stability, profitability and growth.

## **TEAM LOQUS**

We have an outstanding group of researchers, software developers, business analysts, support and testing engineers who together with our committed marketing, back office and administration teams form Team Loqus. The key to strengthening our success and to the ever-changing challenges of the global market we operate in will always be dependent on our team approach, based on hard work and innovation.

Staff morale and well-being are continuously positive. Given the nature of our work the hours are long and intensive and we mitigate this with the strengthening of family friendly measures, increased flexibility, team lunches and a range of social activities.

We continue to focus on empowering women to achieve all their potential at the workplace and I'm pleased to report that issues such as diversity and inclusivity have become an integral part of Loqus.

Our constant challenge is to recruit the best talent and we have had a very good year which has helped us to strengthen our development and implementation teams. This increase in resources is essential to meet the increased workload triggered by our latest wins.

None of the success of 2018/2019 would be possible without the professionalism and dedication of our colleagues and I would like to take this opportunity to thank them for their hard work throughout the year. Their skill, energy and dedication to our customers and our Group is reflected in our results and the great feedback we are receiving for our products.

## **CONCLUSION**

Our investment in people, products and partners will continue and is the key to help us achieve our ambition to increase recurrent revenues, profitability, enterprise value and ultimately, shareholder value.

I want to thank all my management team especially our CFO Marie Claire Portelli and our deputy CEO Roland Scerri for their hard work, dedication and loyalty.

Finally, my appreciation to the Chairman and the Board, who have shown full commitment to the management team. I would like to personally thank them for their guidance, constructive criticism and support.



**JOE FENECH CONTI**

Group Chief Executive Officer

30 October 2019

## **GENERAL INFORMATION**

### **Company registration**

Loqus Holdings p.l.c. was registered in Malta on 23 October 2000 as a limited liability company under the Companies Act, Cap. 386 of the Laws of Malta. The Company's registration number is C 27140.

### **Directors**

Walter Bonnici (Chairman)  
Joseph Fenech Conti (Chief Executive Officer)  
Anthony P Demajo  
Joseph Roland Scerri  
Lawrence Zammit  
Albert DeBono

### **Company secretary**

Adrian Mallia

### **Registered office**

SUB008A  
Industrial Estate  
San Gwann SGN 3000  
MALTA  
Tel: (+356) 23 318 000

### **Bankers**

HSBC Bank Malta p.l.c.  
116, Archbishop Street  
Valletta VLT 1444  
MALTA

### **Auditors**

Mazars Malta  
32, Sovereign Building  
Zaghfran Road  
Attard ATD 9012  
MALTA

## **DIRECTORS' REPORT**

The Directors submit their report together with the audited financial statements for the year ended 30 June 2019.

### **Principal activities**

The Group is primarily involved in the provision of fleet management, back-office processing and ICT solutions.

### **Dividends**

The Directors did not propose the payment of dividend.

### **Review of the business**

The Group registered a profit before the effect of taxation amounting to EUR257,689 (2018: EUR642,042). Further information about the results of the Group is provided in the statement of comprehensive income on page 14.

The Company registered a loss before the effect of taxation of EUR65,396 (2018: EUR72,136). Further information about the results of the Company is provided in the statement of comprehensive income on page 19.

This financial year is a significant step forward on the Group's path to continue to add value. Loqus is reporting a 13% increase in revenue over the prior year. Profit for the year represents 6% (2018: 16%) of revenue. Over the coming years, Loqus will continue to drive operational excellence and invest in innovation and sales development.

A more detailed review of the operation of the Company and its subsidiary undertakings for the year under review, and an indication of the likely future developments, are highlighted in the Chairman's Statement and Group Chief Executive Officer's Review.

### **Performance review**

The operating profit for the year amounted to EUR1,174,395 from EUR1,171,421. This resulted following an increase in a substantial increase in Fleet management revenue as well as in capitalised labour costs due to the development of the next generation fleet management tools.

During the year under review the Group registered a profit of EUR257,689 (2018: EUR642,042). The prior year figure included write-off of creditors amounting to EUR188,530 and reversal of finance costs of EUR105,875. The Company registered a loss of EUR65,396 (2018: EUR72,136) since no dividends were issued by its subsidiaries.

### **Key performance indicators**

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

#### *Financial*

The Group calculates the level of its free cash flow by reference to the cash generated from operations less capital expenditure, interest and tax. The Group had a negative free cash flow at year end which amounted to EUR101,183 (2018: EUR29,494). This was due to the fact that the Group is financing its investment in research and development through the cash generated from operations. The Group has a high management level of working capital and a disciplined approach to capital expenditure.

## **DIRECTORS' REPORT – continued**

### **Key performance indicators - continued**

#### *Financial - continued*

The adjusted earnings per share decreased from 2018 to 2019 from EUR2c0 to EUR0c8 respectively. This comprises the basic earnings per share from operations based upon the profit attributable to ordinary shareholders before exceptional items divided by the average number of shares in issue during the year. The generation of earnings is essential to deliver share price growth and dividends to shareholders and to fund future growth in the business. The Group's basic earnings per share is disclosed in Note 7.

The Group measures its performance based on EBITDA, which is defined as the profit before depreciation, amortisation, net finance expense and taxation. During the year under review, EBITDA amounted to EUR1,174,395 from EUR1,171,421.

#### *Non-Financial*

The average number of employees increased by 1%, from 90 to 91 during the year. This was due to an increased number of software developers engaged in the research and development of the Group's next generation fleet management tools. Having high quality teams in place is essential to attain the company's business strategies.

### **Principal risks and uncertainties**

The successful management of risk is essential to enable the Group/Company to achieve its objectives. The ultimate responsibility for risk management rests with the 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.

#### *Legislative risks*

The Group is subject to numerous laws and regulations covering a wide range of matters. Failure to comply could have financial or reputational implications and could materially affect the Group's ability to operate. The Group has embedded operating policies and procedures to ensure compliance with existing legislation.

#### *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. Human resources have become a major challenge in the industry the Group operates in. The Group is aggressively working at attracting, developing and retaining the best of local IT resources as well as recruiting foreign employees in order to handle the need for IT related skills. Regular reviews are undertaken of the Group's resource requirements.

#### *Economic and market environment*

Economic conditions have been challenging in recent years across the markets in which the Group operates. A significant economic decline in any of these markets could impact the Group's ability to continue to attract and retain customers. Demand for the Group's products 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 significant investment in innovation. The Group regularly reviews its pricing structures to ensure that its products are appropriately placed within the markets in which it operates.

## **DIRECTORS' REPORT – continued**

### **Principal risks and uncertainties – continued**

#### *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.

#### *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 intensive training programmes to ensure that they are aware of, and abide by, the levels of service that are required by the Group's customers.

#### *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 makes yearly investment 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. Most of the solutions have been moved to the cloud by the end of 2019. This would significantly decrease the business interruption risk as well as reducing the costs to the Group. The Group also organises regular business continuity exercises to ensure ongoing readiness of key systems and sites.

#### *Financial risk management*

One of the Group's challenges is maintaining the balance between delivering good financial results in the short-term, and at the same time positioning the business for sustainable long-term growth. The Group is currently facing liquidity issues due to significant investment in product development and requires more capital in order to complete its suite of products. The Group is currently in a good position in terms of profitability but faces lack of capital especially when facing decreasing credit facilities from the bank. The Group has started to examine alternatives to bank finance in order to obtain the cash it requires to grow. Note 21 to the financial statements provides details in connection with the Group's and the Company's use of financial instruments, its financial risk management objectives and policies and the financial risks to which it is exposed.

#### *Significant judgements and estimates*

Note 2.5 to the financial statements provides details in connection with the inherent uncertainties that surround the preparation of the financial statements and which require significant estimates and judgements.

### **Directors**

The Directors of the Company who held office during the year ended 30 June 2019 were those listed in the General Information.

### **Auditors**

The re-appointment of Mazars Malta will be proposed at the Annual General Meeting.

The Directors' report was approved by the Board of Directors and was signed on its behalf by:

  
**WALTER BONNICI**  
Chairman  
30 October 2019

  
**JOSEPH FENECH CONTI**  
Director



## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Companies Act, Cap. 386 of the Laws of Malta requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Group and Company as at the end of the financial year and of the profit and loss for that year.

The Directors are responsible for ensuring that:

- appropriate accounting policies have been consistently applied and supported by reasonable and prudent judgements and estimates;
- the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the European Union;
- the financial statements are prepared on the basis that the Group and the Company must be presumed to be carrying on its business as a going concern; and
- account has been taken of income and charges relating to the accounting year, irrespective of the date of receipt or payment.

The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Company and to enable them to ensure that the financial statements comply with the Companies Act, Cap. 38 of the Laws of Malta. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **DIRECTORS' STATEMENT OF COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE**

### **Introduction**

Pursuant to Listing Rule 5.94 of the Listing Rules issued by the Listing Authority, Loqus Holdings p.l.c. ("the Company") as a company whose equity securities are listed on a regulated market should endeavour to adopt the principles of good corporate governance contained in Appendix 5.1 of the Listing Rules (hereinafter "the Code"). In terms of Listing Rule 5.94 the Company is bound to include a report providing an explanation of the extent to which it has adopted the principles and thus the Company is hereby reporting on the extent of its adoption of the principles contained in the Code.

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 in the best interests of the Company and its shareholders and that compliance with the principles of good corporate governance is not only expected by investors but also evidences the Directors' and the Company's commitment to a high standard of governance.

### **General**

The Company is a holding company and does not itself carry on any trading activities. It owns a number of subsidiaries which together form the Loqus Group (hereinafter the "Group") and it is those subsidiaries that carry on trading activities. The Directors are of the view that good corporate governance is the result of a mix of checks and balances which are tailored to suit the Company and its business. The Directors firmly believe that whilst best practices are of general application, certain structures aimed at safeguarding these best practices may not be objectively the best structure in the context of a company whose size or business require otherwise.

The Company's governance principally lies in its Board of Directors (the "Board"), responsible for the overall setting of the Group's policies and business strategies.

The Company has adopted a corporate decision-making and supervisory structure that is tailored to suit the Group's requirements and designed to ensure the existence of adequate checks and balances within the Group, whilst retaining an element of flexibility, particularly in view of the size of the Company and the nature of its business.

In general, the Directors believe that the Company has in place appropriate structures to achieve a satisfactory level of good corporate governance. The Directors also believe that an adequate system of checks and balances is in place.

Below, the Directors set forth in further detail the structures, checks and balances, and processes in place, as well as the manner in which these contribute towards achieving the goals set forth in the Code.

### **Compliance with the Code**

These principles deal mainly with the role of the Board and the Directors.

#### *Principle 1 – The Board*

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

**DIRECTORS' STATEMENT OF COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE****Compliance with the Code – continued***Principle 1 – The Board – continued*

The Board has, during the period under review, shown the necessary leadership of the Company and has in place mechanisms to ensure that it obtains the requisite information for it to exercise its role and functions. The CEO, as a Director of the Company, attends Board meetings of the Company, as do other senior members of management as and when requested by the Board.

*Principle 2 – Chairman and CEO*

In compliance with this principle, the Board has separated the functions of CEO and Chairman, with the Chairman leading the Board whilst the CEO leads the executive arm of the Company. The CEO is accountable to the Board. Thus, the Directors believe that the Company is in compliance with principle 2.2 of the Code.

*Principle 3 – Composition of the Board*

During the period under review, four (4) Non-Executive Directors and two (2) Executive Directors served as Directors of the Company. The Company's organisational structure contemplates the role of a Chief Executive Officer (the "CEO"), a position which is occupied by Mr Joseph Fenech Conti, who is an Executive Director having a seat on the Board of Directors. The Company's CEO is currently a member of the Board and attends Board Meetings in such capacity whilst other Executives attend when necessary and upon invitation of the Directors. The presence of the CEO assures that the Directors have direct access at meetings of Directors to the person having the prime responsibility for day to day operations of the Company and the implementation of policies that allows effective discussion and the availability of all the information necessary to carry out their functions in the best possible manner. In this respect, the Directors feel that the principle set forth in the Code is substantively met by means of this arrangement which allows the interaction of Non-Executive Directors and Executives.

As stated above, the Board of Directors during the period under review comprised of six Directors elected by the shareholders in the Annual General Meeting. For the year under review, the Board has met four times. A table outlining attendance is set forth hereunder:

Directors	Date of first appointment	Meetings attended
Mr Walter Bonnici – Chairman	23 October 2000	4
Mr Joseph Fenech Conti	7 August 2008	4
Mr Anthony P Demajo	29 July 2005	4
Mr Roland Scerri	24 April 2012	4
Mr Lawrence Zammit	20 January 2018	4
Mr Albert DeBono	26 August 2013	4

The meetings held during 2018 and 2019 were attended either personally or by means of an alternate.

**DIRECTORS' STATEMENT OF COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE**

**Compliance with the Code – continued**

Board meetings concentrate mainly on strategy, operational performance and financial performance. The Board also delegates specific responsibilities to the CEO and the Audit Committee which operate under their respective formal terms of reference. Directors have access to the advice and services of the Company Secretary who is also the legal counsel to the Board and the Company. The Board has also set up a Remuneration Committee.

Directors may, in the furtherance of their duties, take independent professional advice on any matter at the Company's expense. Directors and senior officers are informed and are aware of their obligations on dealings in securities of the Company within the established parameters of the law and the Listing Rules.

Each such Director and Senior Officer has been provided with the code of dealing required in terms of Listing Rule 8.45.

The Board of Directors has not undertaken an annual evaluation of its own performance and that of its Committees and of individual Directors. The Non-Executive Directors' performance is not formally evaluated by the Company whether on an individual or collective basis. Moreover, the attendance at Board Meetings as shown above is indicative of the level of commitment of the Directors. The Directors believe that in view of the limited size of the Company and its resources, a formal independent evaluation of the collective and individual performance of the Directors by independent third parties is unwarranted as it is not likely to add significant value to the manner in which the Board currently operates and could be disproportionately costly.

For the purposes of Code Provision 3.2 requiring the Board to report on whether it considers each Non-Executive director as independent in line with the requirements of that Code provision, the Board considers that Mr Albert DeBono and Mr Lawrence Zammit were independent during the period under review within the strict meaning of the Code. Mr Walter Bonnici (indirectly) and Mr Anthony P. Demajo both hold issued and voting capital in the Company. This notwithstanding, the Board considers that both the said Directors have the requisite skills, experience and integrity to act independently and impartially as Directors of the Company.

*Principle 4 – Board Responsibility*

In terms of this principle, it is the Board's responsibility to ensure a system of accountability, monitoring, strategy formulation and policy development. Whilst there are matters which are reserved to the Board to determine within the Group, the Board believes that this responsibility includes the appropriate delegation of powers to management and the organisation of an Executive Team in a manner that is designed to provide high levels of comfort to the Directors that there is proper monitoring and accountability apart from implementation of policy. Senior Executive Management is presently entrusted to the CEO, who reports to the Board. The link between the Executive Management and the Board is attained through the attendance at Board Meetings of the CEO, as a member of the Board.

Though the Company has not set up a formal executive committee, meetings led by the CEO, between members of top management take place regularly.

As part of its corporate governance structures the Company has also established an Audit Committee in line with the requirements of the Listing Rules. Unlike the provisions of the Code, which are not mandatory in nature, the Directors acknowledge that the requirement of having an Audit Committee in place is an obligation under the Listing Rules. The principal role of the Audit Committee is the monitoring of internal systems and controls. In addition, unless otherwise dealt with in any other manner prescribed by the Listing Rules, the Audit Committee has the responsibility to monitor and scrutinise related party transactions, if any, falling within the ambits of the Listing Rules and to make its recommendations to the Board of any such proposed related party transactions.

**DIRECTORS' STATEMENT OF COMPLIANCE WITH THE CODE OF  
PRINCIPLES OF GOOD CORPORATE GOVERNANCE**

**Compliance with the Code – continued**

*Principle 4 – Board Responsibility – continued*

The Audit Committee was, during the period under review, composed of Mr Anthony P. Demajo (Chairman of the committee and Non-Executive Director of the Company), Mr Albert DeBono (Non-Executive Director of the Company), and Mr Lawrence Zammit (Non-Executive Director of the Company).

Nevertheless, the Audit Committee has the power and authority under its terms of reference to summon any person to assist it in the performance of its duties. The Audit Committee has met four times in the financial year under review. The Directors are of the view that the composition of the Audit Committee meets the requirements of the Code on independence as well as having a member with knowledge in accounting and/or auditing, since Mr Albert DeBono is a Certified Public Accountant. Following such declarations, such persons are also considered to be independent Directors for the purposes of the Code.

*Principle 5 – Board Meetings*

The Board is of the view that it complies with the requirements of this principle. Reference is made to the information disclosed above in relation to the number of Board Meetings held and participation thereat, as well as Audit Committee Meetings.

*Principle 6 – Information and Professional Development*

The CEO is appointed by the Board and enjoys the confidence of the Board. The CEO is responsible for recruitment and appointment of senior management, which is done in consultation with the Board.

The Directors have access to professional advice as and when required, with a view to discharging properly their duties as Directors.

*Principle 7 – Evaluation of Board's Performance*

The Board has not appointed a committee for the purpose of evaluating its own performance, and does not at this point intend to do so.

*Principle 8 – Committees*

The Company has not appointed a nominations committee, and does not believe that at this point it is necessary to do so.

*Remuneration Committee*

The Board has considered and approved the appointment of a remuneration committee. The Committee is composed of Mr Walter Bonnici (Chairman of the committee and Non-Executive Director of the Company) and Mr Lawrence Zammit (Non-Executive Director of the Company).

The Committee has met once in the year under review.

*Remuneration of directors and senior management*

The remuneration of the non-executive directors was set by reference to the time they are expected to dedicate, annually, to the affairs of the group, remunerated at a rate that recognizes the professional status and experience of the individuals concerned. The process was designed to attain transparency on the time input that directors are expected to dedicate annually to the Group; at the same time creating a basis on which to determine future revisions should directors be required to dedicate more time to the group's affairs.

Executive salaries are reviewed by the Remuneration Committee to ensure that they remain commensurate with the performance of the individuals concerned and in line with the market.

**DIRECTORS' STATEMENT OF COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE**

**Compliance with the Code – continued**

*Remuneration of directors and senior management – continued*

Bonuses paid to members of senior management are based on two elements: one is performance based and the other is discretionary and both are approved by the Remuneration Committee. Annual bonuses are paid in cash and do not constitute a material part of the aggregate remuneration of senior management. All other remuneration payable to directors is of a fixed nature.

No director has a contract with the company that contains provisions for termination payments and other payments linked to early termination.

The Non-Executive Directors have no arrangement for profit sharing, share options or pension benefits as part of their remuneration.

Non-cash benefits for one executive director include the use of a company car.

The maximum annual aggregate directors' fees that may be paid to the directors as approved by the shareholders is fixed at an aggregate sum of €650,000 per annum.

The following is an outline of the directors' remuneration for the financial year under review:

Directors' fees of the Group	EUR 60,000
Directors' fee of the Company	EUR 42,000
Directors' salaries	EUR 707,135

*Principles 9 and 10 – Relations with Shareholders and the Market*

During the period under review, the Company has communicated to the market through company announcements providing the market with information about reportable events. The Company also communicates to the market and its shareholders through its general meetings.

The Company's website is also utilised as an avenue for imparting information to the market.

**DIRECTORS' STATEMENT OF COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE****Compliance with the Code – continued***Principle 11 – Conflict of Interest*

In the context of Board meetings, a Director having a conflict of interest is required to inform the other members of the Board, and may be invited to abstain from voting on a particular matter in which he is conflicted, as well not to be present whilst the matter is under discussion. The Board is of the view that this secures substantive compliance with the rationale underlying this principle.

Terms and conditions of contracts negotiated with related parties are subject to review and approval by the Company's Audit Committee. During the year under review, no new contracts were entered into with related parties.

As at reporting date, the direct interests of the Directors in the shares of the Company were as follows:

	Number of shares
Mr Anthony P. Demajo	1,350,750
Mr Joseph Roland Scerri	5,556
Ms Alison Attard (resigned on 21 August 2018)	NIL
Mr Lawrence Zammit (appointed on 20 January 2018)	NIL
Mr Albert DeBono (appointed on 3 October 2018)	NIL

Mr Joseph Fenech Conti has a beneficial interest of 15,949,500 shares currently registered in the name of JFC Holdings Limited. Mr Walter Bonnici has a beneficial interest of 1,434,030 shares currently registered in the name of GDL Trading and Services Limited.

*Principle 12 – Corporate Social Responsibility*

The Company understands its obligation towards society at large and, within the current financial constraints of the Company, attempts to fulfil this obligation. The Company is fully aware of its obligation to help preserve the environment and endeavours to respect the environment.

The Company considers itself to be a good employer and promotes open communication, responsibility and personal development. Furthermore, the Company maintains a staff development program aimed at providing training to staff to assist in their development. Through investing in its people and their professional growth, the Company believes that this will be beneficial to both its shareholders and stakeholders alike.

The Directors consider that during the financial year under review the Company has put in place appropriate structures to comply with the principles and underlying spirit of the Code. Nonetheless the Directors shall endeavour to keep the situation under regular review as appropriate.

**Non-compliance with the Code Provisions**

The Directors set forth below the code provisions which they do not comply with, together with an explanation for such non-compliance:

Code Provision	Explanation
----------------	-------------

*Principle 2 – Chairman and CEO*

2.1	Though the functions of CEO and Chairman are carried out by separate persons, the division of responsibilities has not been established in writing. In practice, however, the two roles are clearly separated and defined.
-----	--

**DIRECTORS' STATEMENT OF COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE**

**Non-compliance with the Code Provisions – continued**

Code Provision	Explanation
----------------	-------------

*Principle 4 – Board Responsibility*

- |     |  |
|-----|--|
| 4.2 | The Board has not developed a succession policy for the future composition of the Board. The existence of a deputy CEO somewhat reduces the need for such a policy.                              |
| 4.3 | The Company has not as such organised any information sessions as required in this provision though the Board regularly discusses the matters set forth in this provision during Board meetings. |

*Principle 6 – Information and Professional Development*

- |     |  |
|-----|--|
| 6.1 | Directors are not offered an official introduction programme, in particular since Directors are re-elected from year to year and are persons who are experienced in directorships. However, new Directors are given informal induction on the Company and its operations.  |
| 6.4 | Though no 'formal' systems are in place for the development and training of management and employees, as a fact management and employees are frequently offered training opportunities.<br>No formal 'systems' to monitor morale are in place, though the size of the Company allows for constant informal assessment of staff morale. Furthermore, no formal succession plan for Senior Management is in place. |

*Principle 7 – Evaluation of Board's Performance*

- |     |  |
|-----|--|
| 7.1 | The Board is of the view that the size of the Company and the Board itself does not warrant the establishment of this Committee. The Board is of the view that the size of the Board is such that it is in a position to evaluate its own performance. |
|-----|--|

*Principle 8 – Committees*

- |    |   |
|----|---|
| 8A | The Board has recently appointed a remuneration committee.  |
| 8B | The Board has not appointed a nominations committee, particularly due to the requirements relating to nomination in the Articles of Association of the Company. |

*Principle 9 – Relations with Shareholders and the Market*

- |     |  |
|-----|--|
| 9.3 | The Memorandum and Articles of Association of the Company do not provide a mechanism for resolution of conflicts as referred to in this provision. |
|-----|--|

**Internal Control**

The Board is ultimately responsible for the Company's system of internal controls and for reviewing its effectiveness. Such a system is designed to manage, rather than eliminate, risk in order to achieve business objectives, and can provide only reasonable, and not absolute, assurance against normal business risks or loss.

Through the Audit Committee, the Board reviews the effectiveness of the Company's system of internal controls.

The key features of the Company's system of internal control are as follows:



**DIRECTORS' STATEMENT OF COMPLIANCE WITH THE CODE OF  
PRINCIPLES OF GOOD CORPORATE GOVERNANCE**

**Internal Control – continued**

*Organisation*

The Company operates through the CEO, who is the most senior Executive, with clear reporting lines and delegation of powers. The CEO reports directly to the Board.

*Risk identification*

Company management is responsible for the identification and evaluation of key risks applicable to their respective areas of business. The Audit Committee's mandate also includes the continuous assessment and oversight of such key risks.

**General Meetings**

The General Meeting is the highest decision making body of the Company and is regulated by the Company's Articles of Association. All shareholders registered on the register of members of the Company on a particular record date are entitled to attend and vote at General Meetings. A General Meeting is called by 21 days' notice.

At an Annual General Meeting (AGM) what is termed as 'ordinary business' is transacted, namely, the declaration of a dividend, the consideration of the accounts, balance sheets and the reports of the Directors and Auditors, the election of Directors, and the appointment of Auditors and the fixing of remuneration of Directors and Auditors. Other business which may be transacted at a General Meeting (excluding the general meeting) is dealt with as 'Special Business'.

Voting at General Meetings takes place by a show of hands or a poll where this is demanded. Subject to any rights or restrictions for the time being attached to any class or classes of shares, on a show of hands each Shareholder is entitled to one vote and on a poll each Shareholder is entitled to one vote for each share carrying voting rights of which he is a holder. Shareholders who cannot attend a meeting may appoint a proxy.

Business at the Company's AGM will cover the approval of the Annual Report and Audited Financial Statements, the Election of Directors and the Appointment of Auditors and the authorisation of the Directors to set the Auditors' remuneration.

**Further Information**

*Board of Directors*

The Board is aware of its corporate social responsibilities in terms of the Code and seeks to adhere, as far as possible within the various constraints inherent in the Company, to its obligations set forth in the said Code.

In general the Directors believe that the Company has adopted appropriate structures to achieve an adequate level of Good Corporate Governance, together with an adequate system of checks and balances in line with the Company's requirements.

**DIRECTORS' STATEMENT OF COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE**

**Further Information – continued**

*Control environment*

The Company is committed to the highest standards of business conduct and seeks to maintain these standards across all of its operations. Company policies and employee procedures are in place for the reporting and resolution of improper activities.

The Company has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve Company objectives.

The Memorandum and Articles of Association of the Company regulate the appointment of the Directors. Appointment of Directors is reserved exclusively to the Company's shareholders. Every shareholder owning, or group of shareholders who own together, not less than 10% of the ordinary share capital are entitled to appoint one Director for every such 10% holding.

The Chairman, Board of Directors and Auditors are all appointed by the shareholders during the Annual General Meeting. All Directors may be removed from their post either by the shareholders who appointed them or else by the passing of an Ordinary Resolution in the General Meeting. The Directors hold office for a period of one year, unless they resign or are removed or are appointed for periods other than one year. Once the period stated in their letter of appointment lapses, the Directors would be eligible for re-appointment.

*Dealings by Directors and Senior Officers*

Directors and Senior Officers are informed and are aware of their obligations on dealings in securities of the Company within the established parameters of the law and the Listing Rules. Mr Anthony P. Demajo was appointed Designated Director of the Company for the purposes of the "Code of Conduct for Securities Transactions". There were no reported breaches of such obligations during the year under review.

*Going concern*

In accordance with Listing Rule 5.62, the Directors have considered the Company's operating performance, the statement of financial position at year end, and they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, in preparing the financial statements, they continue to adopt the going concern basis in preparing the financial statements set out on pages 15 to 64. Note 2 to the financial statements, details the going concern assessment.

Approved by the Board of Directors on 30 October 2019 and signed on its behalf by:



**WALTER BONNICI**  
Chairman



**JOSEPH FENECH CONTI**  
Director

**LOQUS HOLDINGS P.L.C.**  
**Annual Financial Statements for the year ended 30 June 2019**

**STATEMENT OF COMPREHENSIVE INCOME – Group**  
**for the year ended 30 June 2019**

	Notes	2019 EUR	2018 EUR
<b>Revenue</b>	3	<b>4,376,375</b>	3,897,951
Purchases and other directly attributable costs	3	<b>(869,890)</b>	(489,731)
Personnel expenses	3, 4	<b>(1,811,939)</b>	(1,661,683)
Professional and consultancy fees		<b>(50,606)</b>	(85,235)
Travelling and accommodation		<b>(89,322)</b>	(107,390)
Marketing expenses		<b>(52,061)</b>	(42,337)
Other administrative expenses	5	<b>(328,162)</b>	(340,154)
<b>Operating profit before depreciation and amortisation</b>		<b>1,174,395</b>	1,171,421
Depreciation amortisation and impairment	3, 8, 9	<b>(707,883)</b>	(521,090)
Finance costs	3	<b>(208,823)</b>	(8,289)
<b>Profit before tax</b>		<b>257,689</b>	642,042
Income tax expense	6	-	-
<b>Profit for the year</b>		<b>257,689</b>	642,042
Other comprehensive income		-	-
<b>Total comprehensive income for the year net of tax</b>		<b>257,689</b>	642,042
<b>Attributable to:</b>			
Owners of the parent		<b>257,689</b>	642,042
Non-controlling interest		-	-
		<b>257,689</b>	642,042
Profit per share - basic	7.1	<b>0c8</b>	2c0

*The accounting policies and explanatory notes on pages 24 to 64 form an integral part of the financial statements.*

**STATEMENT OF FINANCIAL POSITION – Group**  
**as at 30 June 2019**

	<b>Notes</b>	<b>2019 EUR</b>	<b>2018 EUR</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	<b>158,099</b>	76,652
Intangible assets	9	<b>6,900,914</b>	6,361,168
		<b>7,059,013</b>	6,437,820
<b>Current assets</b>			
Inventories	13	<b>15,778</b>	14,168
Trade and other receivables	14	<b>2,042,907</b>	1,807,799
Cash at bank	18	<b>29,964</b>	62,974
		<b>2,088,649</b>	1,884,941
<b>TOTAL ASSETS</b>		<b>9,147,662</b>	8,322,761

*The accounting policies and explanatory notes on pages 24 to 64 form an integral part of the financial statements.*

**LOQUS HOLDINGS P.L.C.**  
**Annual Financial Statements for the year ended 30 June 2019**

**STATEMENT OF FINANCIAL POSITION – Group**  
**as at 30 June 2019**

	Notes	2019 EUR	2018 EUR
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital	15.1	7,430,457	7,430,457
Share premium	15.2	847,101	847,101
Capital redemption reserve	15.3	121,554	121,554
Accumulated losses		(5,659,055)	(5,916,744)
<b>Equity attributable to owners of the parent</b>		<b>2,740,057</b>	<b>2,482,368</b>
Non-controlling interest		-	-
<b>Total equity</b>		<b>2,740,057</b>	<b>2,482,368</b>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	16	905,401	822,294
<b>Current liabilities</b>			
Interest bearing loans and borrowings	16	353,146	323,194
Trade and other payables	17	5,149,058	4,694,905
		<b>5,502,204</b>	<b>5,018,099</b>
<b>Total liabilities</b>		<b>6,407,605</b>	<b>5,840,393</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>9,147,662</b>	<b>8,322,761</b>

*The accounting policies and explanatory notes on pages 24 to 64 form an integral part of the financial statements.*

*The financial statements on pages 15 to 64 have been authorised for issue by the Board of Directors on 30 October 2019 and were signed on its behalf by:*



**WALTER BONNICI**  
Chairman



**JOSEPH FENECH CONTI**  
Director

**LOQUS HOLDINGS P.L.C.**  
**Annual Financial Statements for the year ended 30 June 2019**

**STATEMENT OF CHANGES IN EQUITY – Group**  
**for the year ended 30 June 2019**

	Attributable to equity holders of the parent						
	Issued capital EUR	Share premium EUR	Capital redemption reserve EUR	Accumulated losses EUR	Total EUR	Non-controlling interest EUR	Total equity EUR
<b>FOR THE YEAR ENDED 30 June 2018</b>							
At 1 July 2017	7,430,457	847,101	121,554	(6,558,786)	1,840,326	-	1,840,326
Profit for the year	-	-	-	642,042	642,042	-	642,042
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	642,042	642,042	-	642,042
<b>At 30 June 2018</b>	<b>7,430,457</b>	<b>847,101</b>	<b>121,554</b>	<b>(5,916,744)</b>	<b>2,482,368</b>	<b>-</b>	<b>2,482,368</b>
<b>FOR THE YEAR ENDED 30 June 2019</b>							
At 1 July 2018	7,430,457	847,101	121,554	(5,916,744)	2,482,368	-	2,482,368
Profit for the year	-	-	-	257,689	257,689	-	257,689
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	257,689	257,689	-	257,689
<b>At 30 June 2019</b>	<b>7,430,457</b>	<b>847,101</b>	<b>121,554</b>	<b>(5,659,055)</b>	<b>2,740,057</b>	<b>-</b>	<b>2,740,057</b>

*The accounting policies and explanatory notes on pages 24 to 64 form an integral part of the financial statements.*

**LOQUS HOLDINGS P.L.C.**  
**Annual Financial Statements for the year ended 30 June 2019**

**STATEMENT OF CASH FLOWS – Group**  
**for the year ended 30 June 2019**

	Notes	2019 EUR	2018 EUR
<b>Operating activities</b>			
Profit before tax		257,689	642,042
Non-cash adjustment to reconcile loss before tax to net cash flows:			
Profit on sale of property, plant and equipment			-
Depreciation and amortisation	8, 9	707,883	521,090
Provision for impairment of receivables	5, 14	12,140	41,175
Write-off of receivables	5, 14	24	330
Interest expense		208,823	8,289
Interest income		-	-
Provision for currency exchange differences	5	916	(3,438)
Write-off for obsolete inventory	5	3,010	6,510
Working capital adjustments:			
Movement in inventories		(4,620)	(2,013)
Movement in trade and other receivables		(248,863)	(22,278)
Movement in trade and other payables		364,288	(305,489)
		<b>1,301,290</b>	<b>886,218</b>
Interest paid		(43,903)	(15,275)
Interest received		-	-
Income tax paid	6	-	-
<b>Net cash flows generated from operating activities</b>		<b>1,257,387</b>	<b>870,943</b>
<b>Investing activities</b>			
Proceeds from sale of property, plant and equipment		-	-
Payment to acquire property, plant and equipment	8	(113,902)	(19,646)
Payments to acquire intangible assets	9	(1,215,174)	(1,009,523)
<b>Net cash flows used in investing activities</b>		<b>(1,329,076)</b>	<b>(1,029,169)</b>
<b>Financing activities</b>			
Repayment of interest-bearing borrowings		-	-
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>-</b>
Net movement in cash and cash equivalents		(71,689)	(158,226)
Cash and cash equivalents at beginning of year		(29,494)	128,732
<b>Cash and cash equivalents at end of year</b>	18	<b>(101,183)</b>	<b>(29,494)</b>

*The accounting policies and explanatory notes on pages 24 to 64 form an integral part of the financial statements.*

**LOQUS HOLDINGS P.L.C.**  
**Annual Financial Statements for the year ended 30 June 2019**

**STATEMENT OF COMPREHENSIVE INCOME – Company**  
**for the year ended 30 June 2019**

	Notes	2019 EUR	2018 EUR
<b>Revenue</b>		-	-
Personnel expenses	4	(47,000)	(46,228)
Professional and consultancy fees		(1,533)	(3,065)
Other administrative expenses	5	(16,812)	(22,608)
<b>Operating loss</b>		(65,345)	(71,901)
Finance income		101,565	96,002
Finance costs		(101,616)	(96,237)
<b>Loss before tax</b>		(65,396)	(72,136)
Income tax credit	6	-	-
<b>Loss for the year</b>		(65,396)	(72,136)
Other comprehensive income		-	-
<b>Total comprehensive expense for the year net of tax</b>		(65,396)	(72,136)
Loss per share - basic	7.1	(0c2)	(0c2)

*The accounting policies and explanatory notes on pages 24 to 64 form an integral part of the financial statements.*



**LOQUS HOLDINGS P.L.C.**  
**Annual Financial Statements for the year ended 30 June 2019**

**STATEMENT OF FINANCIAL POSITION – Company**  
**as at 30 June 2019**

	Notes	2019 EUR	2018 EUR
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in subsidiaries	10	9,657,035	9,657,035
<b>Current assets</b>			
Trade and other receivables	14	10,562	8,340
Cash at bank and in hand	18	18	18
		<b>10,580</b>	<b>8,358</b>
<b>TOTAL ASSETS</b>		<b>9,667,615</b>	<b>9,665,393</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Issued capital	15.1	7,430,457	7,430,457
Share premium	15.2	847,101	847,101
Accumulated losses		194,632	260,028
		<b>8,472,190</b>	<b>8,537,586</b>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	16	905,401	822,294
<b>Current liabilities</b>			
Interest bearing loans and borrowings	16	221,999	230,726
Trade and other payables	17	68,025	74,787
		<b>290,024</b>	<b>305,513</b>
<b>Total liabilities</b>		<b>1,195,425</b>	<b>1,127,807</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>9,667,615</b>	<b>9,665,393</b>

*The accounting policies and explanatory notes on pages 24 to 64 form an integral part of the financial statements.*

*The financial statements on pages 15 to 64 have been authorised for issue by the Board of Directors on 30 October 2019 and were signed on its behalf by:*



**WALTER BONNICI**  
Chairman



**JOSEPH FENECH CONTI**  
Director

**LOQUS HOLDINGS P.L.C.**  
**Annual Financial Statements for the year ended 30 June 2019**

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**STATEMENT OF CHANGES IN EQUITY – Company**  
**for the year ended 30 June 2019**

	Issued capital EUR	Share premium EUR	Accumulated losses EUR	Total EUR
<b>FOR THE YEAR ENDED 30 JUNE 2018</b>				
At 1 July 2017	7,430,457	847,101	332,164	<b>8,609,722</b>
Loss for the year	-	-	(72,136)	<b>(72,136)</b>
Other comprehensive income	-	-	-	-
Total comprehensive expense	-	-	(72,136)	<b>(72,136)</b>
<b>At 30 June 2018</b>	<b>7,430,457</b>	<b>847,101</b>	<b>260,028</b>	<b>8,537,586</b>
<b>FOR THE YEAR ENDED 30 JUNE 2019x</b>				
At 1 July 2018	7,430,457	847,101	260,028	<b>8,537,586</b>
Loss for the year	-	-	(65,396)	<b>(65,396)</b>
Other comprehensive income	-	-	-	-
Total comprehensive expense	-	-	(65,396)	<b>(65,396)</b>
<b>At 30 June 2019</b>	<b>7,430,457</b>	<b>847,101</b>	<b>194,632</b>	<b>8,472,190</b>

*The accounting policies and explanatory notes on pages 24 to 64 form an integral part of the financial statements.*

**LOQUS HOLDINGS P.L.C.**  
**Annual Financial Statements for the year ended 30 June 2019**

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**STATEMENT OF CASH FLOWS – Company**  
**for the year ended 30 June 2019**

	Notes	2019 EUR	2018 EUR
<b>Operating activities</b>			
Loss before tax		(65,396)	(72,136)
Non-cash adjustment to reconcile (loss)/profit before tax to net cash flows:			
Finance cost		101,616	96,237
Finance income		(101,565)	(96,002)
Working capital adjustments:			
Movement in trade and other receivables		(16,510)	-
Movement in trade and other payables		81,855	71,901
		-	-
Interest paid		-	-
<b>Net cash flows generated from operating activities</b>		-	-
<b>Financing activities</b>			
Repayment of amounts due to related parties		-	-
<b>Net cash flows used in financing activities</b>		-	-
Net movement in cash and cash equivalents		-	-
Cash and cash equivalents at beginning of year		18	18
<b>Cash and cash equivalents at end of year</b>	18	18	18

*The accounting policies and explanatory notes on pages 24 to 64 form an integral part of the financial statements.*

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. CORPORATE INFORMATION**

Loqus Holdings p.l.c (the “Company”) is a public liability company, incorporated in Malta on 23 October 2000. The consolidated financial statements of the Company for the year ended 30 June 2019 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in an associated company. The Group is primarily involved in the provision of fleet management, back-office processing and ICT solutions.

#### **2.1 BASIS OF PREPARATION**

The consolidated and separate financial statements (the “financial statements”) have been prepared on a historical cost basis.

The financial statements have been prepared in accordance with the requirements of the Companies Act, Cap. 386 of the Laws of Malta and in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

##### *Going Concern*

On the basis of the progress made by the Group, the Directors are of the opinion that cash flows are sufficient to meet present and future commitments and liabilities of the Company and the Group as and when they fall due.

These financial statements have been prepared on a going concern basis which assumes that the Group will continue in existence for the foreseeable future. The Directors have a reasonable expectation that the Group has adequate resources to improve its liquidity and to take the necessary decisions to continue in operational existence for the foreseeable future.

#### **2.2 BASIS OF CONSOLIDATION**

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2019.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, or from the date of set up under control of the Company, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, income and expenses, unrealised gains and losses and dividends resulting from intra-group transactions are eliminated in full. A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent’s share of components previously recognised in other comprehensive income to profit or loss.

## **NOTES TO THE FINANCIAL STATEMENTS – continued**

### **2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

**The accounting policies adopted are consistent with those of the previous financial period except as follows:**

The Company has adopted the following new and amended IFRS and IFRIC interpretations:

#### **IFRS 9 – Financial instruments (*effective from 1 January 2018*)**

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for de-recognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss;
- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss; and
- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

## **NOTES TO THE FINANCIAL STATEMENTS – continued**

### **2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES – continued**

**The accounting policies adopted are consistent with those of the previous financial period except as follows - continued:**

#### **IFRS 9 – Financial instruments (effective from 1 January 2018) – continued**

The effect of IFRS 9 mainly related to the trade and other receivables. Following the adoption of IFRS 9, the allowance was calculated using the simplified approach due to the fact that the Group's trade receivables are of a short-term nature as they are based on credit terms of not more than 60 days and therefore do not require significant financing component. The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. To this end trade receivables were analysed by local and overseas balances and measures such as political and economic conditions have been considered when calculating the impairment allowance apart from the historical rate. For receivables over the 360 days, the loss rate was adjusted to take into consideration the proportion of actual recoveries over the selected period.

The resulting difference in the loss allowance as a result of the initial application of IFRS 9 was not considered to be material.

#### **IFRS 15 – Revenue from contracts with customers (effective from 1 January 2018)**

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 superseded the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduced a 5-step approach to revenue recognition.

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES – continued**

The accounting policies adopted are consistent with those of the previous financial period except as follows - continued:

**IFRS 15 Clarification – Revenue from contracts with customers (*effective from 1 January 2018*)**

The amendments in Clarifications to IFRS 15 'Revenue from Contracts with Customers' address three particular areas and provide some transition relief for modified contracts and completed contracts:

- *Identifying the performance obligations:* IFRS 15 requires an entity to identify performance obligations on the basis of distinct promised goods or services. To clarify the concept of 'distinct', the IASB has added the clarification that the objective of the assessment of a promise to transfer goods or services to a customer is to determine whether the nature of the promise, within the context of the contract, is to transfer each of those goods or services individually or, instead, to transfer a combined item or items to which the promised goods or services are inputs.
- *Principal versus agent considerations:* When another party is involved in providing goods or services to a customer, IFRS 15 requires an entity to determine whether it is the principal in the transaction or the agent on the basis of whether it controls the goods or services before they are transferred to the customer. To clarify how to assess control, the IASB has amended and extended the application guidance on this issue, and especially stresses:
  - that an entity determines whether it is a principal or an agent for each specified good or service promised to the customer and could be a principal for some specified goods or services and an agent for others;
  - that the indicators provided for assessing control are not a conclusive list; and
  - that the indicators provided may be more or less relevant to the assessment of control depending on the nature of the specified good or service and the terms and conditions of the contract so that different indicators may provide more convincing evidence in some contracts than others.
- *Licensing:* When an entity grants a licence to a customer that is distinct from other promised goods or services, the entity has to determine whether the licence is transferred at a point in time or over time on the basis of whether the contract requires the entity to undertake activities that significantly affect the intellectual property to which the customer has rights. To clarify when an entity's activities significantly affect the intellectual property, the IASB has amended the application guidance and stresses that the activities significantly affect the intellectual property if
  - the activities are expected to significantly change the form or the functionality of the intellectual property; or
  - the ability of the customer to obtain benefit from the intellectual property is substantially derived from, or dependent upon, those activities.

Additionally, the IASB has extended the application guidance with respect to the application of the royalties constraint.

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES – continued**

**The accounting policies adopted are consistent with those of the previous financial period except as follows - continued:**

**IFRS 15 – Revenue from contracts with customers (*effective from 1 January 2018*)**

IFRS 15 must be applied to all contracts with customers that the Group and the Company enter into, which can be split into the following revenue streams:

- Fleet management – the Group charges one-time fees and/or periodic fees in relation to its Vehicle and Marine Tracking Systems and On the Move Logistics. Here the Group had in the past migrated all contracts to Software as a Service (SaaS) model whereby one-time fees are clearly defined through milestones and customers are granted an access to the IP which transfers control over time.
- Original Equipment Manufacturers – the Group charges periodic fees in relation to its Fleet Management contracts with resellers under their own name and branding. Monthly access fees are charged and therefore revenue is recorded over time.
- Back-office processing – the Group earns revenue from a variety of high level, off site services to support entities. Monthly charges to customers based on variables and revenue is recorded over time.
- Projects – the Group's revenues in this respect arise from contracts with clients in connection with the selection and implementation of appropriate ICT solutions. At the stage of the adoption of IFRS 15, all contracts with the customers in this segment were at maintenance stage and therefore no further contractual obligations, other than support and maintenance existed.

As described above, the initial application of IFRS 15 does not have a material effect on the Group or the Company.

- Annual improvements to IFRS Standards 2014 - 2016 cycle (effective 1 January 2018)
- The IASB uses the Annual Improvements process to make necessary, but non-urgent, amendments to IFRSs that will not be included as part of any other project. A summary of the amendments is set out below;
- IFRS 1 First time adoption of International Financial Reporting Standards – A number of short term exemptions have been deleted because the reliefs provided are no longer available or because they were relevant for reporting periods that have now passed.
- IAS 28 – Investments in Associates and Joint Ventures - Clarifies that a qualifying entity is able to choose between applying the equity method or measuring an investment in an associate or joint venture at fair value through profit or loss, separately for each associate or joint venture at initial recognition of the associate or joint venture. Similar clarifications have been made for a reporting entity that is not an investment entity and that has an associate or a joint venture that is an investment entity. IAS 28 permits such a reporting entity the choice to retain the fair value measurements used by that investment entity associate or joint venture when applying the equity method. The amendments clarify that this choice is also made separately for each investment in an associate or joint venture that is an investment entity, at the later of the date on which a) the investment entity associate or joint venture is initially recognised b) the associate or joint venture becomes an investment entity and c) the investment entity associate or joint venture first becomes a parent.



## **NOTES TO THE FINANCIAL STATEMENTS – continued**

### **2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES – continued**

**The accounting policies adopted are consistent with those of the previous financial period except as follows - continued:**

The application of these amendments did not have a material effect on the Group's and the Company's consolidated financial statements.

#### **Amendments to IFRS 2: Classification and Measurement of Share Based Payment Transactions (effective 1 January 2018)**

The International Accounting Standards Board (IASB) has issued amendments to IFRS 2 Share-based Payment in relation to the classification and measurement of share-based payment transactions. The amendments are intended to eliminate diversity in practice in three main areas:

- The effects of vesting conditions on the measurement of a cash-settled sharebased payment transaction
- The classification of a share-based payment transaction with net settlement features for withholding tax obligations
- The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

The application of these amendments did not have a material effect on the Group's and the Company's consolidated financial statements.

#### **Amendments to IAS 40: Transfer of investment property (effective 1 January 2018)**

The Amendments to IAS 40 were issued by the IASB in December 2016 to clarify transfers of property to, or from, investment property. The amendments newly state that an entity shall transfer property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in the management's intentions for the use of property by itself does not constitute evidence of a change in use.

The application of these amendments did not have a material effect on the Group's and the Company's consolidated financial statements.

#### **IFRIC 22: Foreign currency transactions and advance considerations (effective 1 January 2018)**

IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The Interpretation covers foreign currency transactions when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. It does not apply when an entity measures the related asset, expense or income on initial recognition at fair value or at the fair value of the consideration received or paid at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability. Also, the Interpretation need not be applied to income taxes, insurance contracts or reinsurance contracts.

IFRIC 22 specifies that the date of the transaction for the purpose of determining the exchange rate to use on an initial recognition of related assets, expense or income (or part of it) on the derecognition of non-monetary liability arising from the payment or receipt of advance consideration, is the date on which that non-monetary asset or liability was originally recognised. Therefore the related income, expense or asset is not remeasured for changes in exchange rates occurring between the date of initial recognition of the advance consideration and the date of recognition of the transaction to which that consideration relates.

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES – continued**

The accounting policies adopted are consistent with those of the previous financial period except as follows - continued:

**IFRIC 22: Foreign currency transactions and advance considerations (*effective 1 January 2018*) - continued**

The application of these amendments did not have a material effect on the Group's and the Company's consolidated financial statements.

**Standards, interpretations and amendments to published standards as adopted by the EU that are not yet effective during the current financial period:**

Up to the financial position date, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective for the current reporting period and which the Company has not yet adopted. These are as follows:

**IFRS 16 - Leases – (*effective 1 January 2019*)**

At the simplest level, the accounting treatment of leases by lessees will change fundamentally. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting.

Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases.

For lessees, the lease becomes an on-balance sheet liability that attracts interest, together with a new asset on the other side of the balance sheet. In other words, lessees will appear to become more asset-rich but also more heavily indebted.

The impacts are not limited to the balance sheet. There are also changes in accounting over the life of the lease. In particular, companies will now recognise a front-loaded pattern of expense for most leases, even when they pay constant annual rentals.

All companies will need to assess the extent of the standard's impacts so that they can address the wider business implications and can expect analysts to take a close interest. IFRS 16 supersedes IAS 17 'Leases' and related interpretations. IFRS16 is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted for companies that also apply IFRS 15.

The Group and the Company have assessed the impact of the application of IFRS 16. The Group and the Company are only lessees and have chosen the modified retrospective application of IFRS 16 with the cumulative effect of initially applying the standard recognised at the date of initial application as an adjustment to equity. Consequently, the Group and the Company will not restate the comparative information.

Leases in which the Group or the Company are lessees will be subject to adjustments. These adjustments will lead to an increase in total assets and total liabilities at the date of transition as a result of the recognition of right-of-use assets and corresponding lease liabilities. The Group and the Company have chosen to measure the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised immediately before the date of initial application.

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES – continued**

**Standards, interpretations and amendments to published standards as adopted by the EU that are not yet effective during the current financial period - continued:**

**IFRS 16 - Leases (*effective 1 January 2019*) - continued**

The introduction of IFRS 16 will also result in changes to the profit and loss section of the Company's and the Group's Statements of Comprehensive Income. While the total amount of expenses charged over the term of the lease remains the same, the distribution of such expenses over time and the breakdown of the respective line items in profit and loss will change. Under IAS 17, the expenses for operating leases are recognised within other operating expenses in accordance with the Group's and the Company's accounting policy for operating leases. Under IFRS 16 the respective impact in profit and loss is broken down into interest expense and depreciation. As the interest expense is calculated by applying the effective interest method and fluctuates over the term of the lease, but depreciation is recognised on a straight-line basis, the expense shifts forward to the early periods of the term. Under IFRS 16, the interest expense is presented within finance costs and thus below operating income and expenses, thus resulting in an increase in EBITDA.

In the Statement of Cash Flows there is a shift out of cash flows from operating activities and into financing activities, as the repayment of the principal portion of the lease liabilities will be presented within cash flows from financing activities.

Based on the assessments conducted, the Group estimates that additional right-of-use assets and corresponding lease liabilities of EUR 231k will be recognised as at 1 July 2019. The lease liability recognised in respect of operation lease expenses under IAS 17, and the corresponding interest and depreciation will result in a debit entry of EUR8,274 in retained earnings. The impact on profit and loss for the year ending 30 June 2020 will be a reduction of other operating expenses by EUR 62k and increases of depreciation and interest expense by EUR57k and EUR13k respectively.

The above effect analysis is in relation to rent payable by the Group as well as the lease applicable on the motor vehicles used by the Group.

**IFRIC 23 – Uncertainty over Income Tax Treatments (*effective 1 January 2019*)**

The interpretation clarifies application of recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following;

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Directors are of the opinion that the adoption of this standard will not have a material impact on the financial statements of the company.

## **NOTES TO THE FINANCIAL STATEMENTS – continued**

### **2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES – continued**

**Standards, interpretations and amendments to published standards as adopted by the EU that are not yet effective during the current financial period - continued:**

#### **Amendments to IFRS 9: Prepayment Features with Negative Compensation**

The Board has issued a narrow scope amendment to IFRS 9 to enable companies to measure at amortised cost some prepayable financial assets with negative compensation. The assets affected that include some loans and debt securities would otherwise have been measured at fair value through profit and loss (FVTPL).

Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than unpaid amounts of principal and interest. However to qualify for amortised cost measurement the negative compensation must be reasonable compensation for early termination of the contract.

The amendment is effective for annual periods beginning on or after 1 January 2019, that is, one year later than the effective date of IFRS 9. Early adoption is permitted. This will enable companies to adopt the amendment when they first apply IFRS 9.

The Directors are of the opinion that the adoption of this standard will not have a material impact on the financial statements of the company.

#### **Amendments to IAS 28: Long term Interests in Associates and Joint Ventures**

In October 2017, the Board issued Long-term interests in Associates and Joint Ventures (Amendments to IAS 28). The amendments clarify that a company applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

The Directors are of the opinion that the adoption of this standard will not have a material impact on the financial statements of the company.

#### **Annual Improvements to IFRS Standards 2015 – 2017 Cycle**

Annual Improvements to IFRS Standards 2015–2017 Cycle, issued in December 2017, added paragraph B33CA. An entity shall apply those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019.

The Directors are of the opinion that the adoption of this standard will not have a material impact on the financial statements of the company.

## **NOTES TO THE FINANCIAL STATEMENTS – continued**

### **2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES – continued**

**Standards, interpretations and amendments to published standards as adopted by the EU that are not yet effective during the current financial period - continued:**

**Amendments to IAS 19: Plan Amendment, Curtailment or Settlement specifies how companies determine pension expenses when changes to a defined benefit pension plan occur**

IAS 19 Employee Benefits specifies how a company accounts for a defined benefit plan. When a change to a plan—an amendment, curtailment or settlement—takes place, IAS 19 requires a company to remeasure its net defined benefit liability or asset.

The amendments require a company to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. Until now, IAS 19 did not specify how to determine these expenses for the period after the change to the plan. By requiring the use of updated assumptions, the amendments are expected to provide useful information to users of financial statements.

The Directors are of the opinion that the adoption of this standard will not have a material impact on the financial statements of the company.

**Standards, interpretations and amendments issued by the International Accounting Standards Board (IASB) but not yet adopted by the European Union:**

- IFRS 17 - Insurance Contracts
- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendment to IFRS 3 Business Combinations
- Amendments to IAS 1 and IAS 8 Definition of Material
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

The Directors are assessing the impact that the adoption of these Financial Reporting Standards will have in the financial statements of the Company in the period of initial application.

### **2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all years presented in these financial statements and have been applied consistently by the Group/Company.

#### **Foreign currency translation**

The separate and consolidated financial statements are presented in Euro, which is the Group/Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using the functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date, whereas non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Gains and losses arising from such foreign exchange translations are taken to the statement of comprehensive income.

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**Revenue recognition**

*Current year*

In the current year, the significant accounting policies for the recognition of revenue are as follows:

Revenue from contracts with customers is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group and the Company recognise such revenue when (or as) they satisfy a performance obligation by transferring control of a promised good or service to the customer.

*Comparative year*

In general, revenue is measured at the fair value of the consideration received or receivable and is recognised to the extent that it is probable that the economic benefits will flow to the Group/Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

*Sale of goods*

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

*Revenue from services rendered*

Revenue from services rendered is recognised in the statement of comprehensive income in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to the proportion of contract costs incurred for work performed to date as a percentage to the estimated total costs. The excess of revenue measured at a percentage completion over the revenue recognised in prior periods is the revenue for the period.

*Interest income*

Interest income is accrued on a time basis using the effective interest rate applicable and is recognised to the extent that it is probable that future economic benefits will flow to the Group and can be measured reliably.

**Taxes**

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

Current tax is based on the taxable result for the period. Current tax assets and liabilities for the current year and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**Taxes – continued**

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

The carrying amount of deferred tax assets is reviewed at each reporting date 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 deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

**VAT**

Revenues, expenses and assets are recognised net of the amount of sales tax/value added tax except:

- where the sales tax/value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax/value added tax is recognised as part of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax/value added tax included.

The net amount of sales tax/value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

**Government grants**

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the years necessary to match the grants on a systematic basis to the costs that are intended to compensate.

**Employee benefits**

The Group/Company contributes towards the State pension defined contribution plan in accordance with local legislation and to which it has no commitment beyond the payment of fixed contributions. Related costs are recognised as an expense in the statement of comprehensive income during the year these are incurred.

**Borrowing costs**

Borrowing costs are recognised as an expense when incurred.

## **NOTES TO THE FINANCIAL STATEMENTS – continued**

### **2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

#### **Property, plant and equipment**

The Group's property, plant and equipment are classified into the following classes – equipment furniture and fittings, motor vehicles, factory improvements.

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses if any. Subsequent costs are included the asset's carrying amount when it is probable that future economic benefits associated with the item will flow to the Group/Company and the cost of the item can be measured reliably. Expenditure on repairs and maintenance of property, plant and equipment is recognised as an expense when incurred.

Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of comprehensive income as incurred.

Depreciation is calculated on a straight line basis over the useful life of each part of an item of property, plant and equipment. 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 their estimated useful lives.

The estimated lives for the current and comparative periods are as follows:

- |                                     |  |
|-------------------------------------|--|
| • Furniture, fittings and equipment | 4 - 10 years                           |
| • Motor vehicles                    | 5 years                                |
| • Factory improvements              | over the remaining period of the lease |

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each reporting date.

#### **Leased assets**

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets, or the arrangement conveys a right to use the asset even if that right is not explicitly specified in an arrangement. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to the ownership of the lease. All other leases are classified as operating leases. Lease classification is made at the inception of the lease, which is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease.



**NOTES TO THE FINANCIAL STATEMENTS – continued**

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

*Group as a lessee*

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the statement of comprehensive income. Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group/Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

*Group as a lessor*

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating and operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as income.

**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 Group and/or the Company and the cost of the asset can be measured reliably.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, development expenditure are carried out at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of future consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in the accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset. The amortisation period for the intangibles category is as follows:

- |                                 |         |
|---------------------------------|---------|
| • Capitalised development costs | 5 years |
| • Acquired computer software    | 4 years |

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the statement of comprehensive income when incurred.

## **NOTES TO THE FINANCIAL STATEMENTS – continued**

### **2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

#### *Goodwill*

The definition of an intangible asset requires an intangible asset to be identifiable to distinguish it from goodwill. Goodwill recognised in a business combination is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised. The future economic benefits may result from synergy between the identifiable assets acquired or from assets that, individually, do not qualify for recognition in the financial statements.

Goodwill is measured at cost less accumulated impairment losses. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment.

#### *Research and development in relation to software development*

Research costs, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are expensed as incurred.

Development expenditure on an individual project is recognised as an intangible asset when the Company can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale
- its intention to complete and its ability to use or sell the asset
- how the asset will generate future economic benefits
- the availability of resources to complete the asset and
- the ability to measure reliably the expenditure during development.

A summary of the policies applied to the Company's intangible assets is as follows:

	Development cost	Acquired computer software
Useful lives	Finite	Finite
Amortisation method used	Amortised on a straight line method	Amortised on a straight line method
Internally generated or acquired	Internally generated	Acquired

#### **Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in-first-out principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

#### **Impairment of assets**

##### *Current year*

Credit losses are determined based on the ECL model. The ECL model applies to financial assets measured at amortised cost, debt investments at FVOCI, lease receivables and contract assets, but not to investments in equity instruments. The amount of ECLs is updated at each reporting date to reflect changes in credit risk since the initial recognition.

## **NOTES TO THE FINANCIAL STATEMENTS – continued**

### **2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

#### **Impairment of assets - continued**

##### *Current year – continued*

The Group applies the simplified approach for trade receivables and contract assets that do not contain a significant financing component. The Group's trade receivables are of a short-term nature as they are based on credit terms of less than one year and, thus, do not include a significant financing component.

Where the Group does not have reasonable and supportable information that is available without undue cost or effort to measure LT-ECLs on an individual instrument basis and in order to ensure that LT-ECLs are recognised before an asset becomes credit-impaired or an actual default occurs, LT-ECLs on the remaining financial assets are measured on a collective basis.

In such instances and where appropriate, the financial instruments are grouped on the basis of shared credit risk characteristics and the LT-ECLs are estimated using a provision matrix based on actual credit loss experience over past years, which is adjusted to reflect current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Such adjustments are based on factors that are specific to the debtors and economic and industry indicators such as GDP, unemployment rates and/or industry projections, where applicable, unless the effect is considered to be immaterial.

##### *Comparative year*

##### *Financial assets*

The Group/Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the receivables or a group of receivables is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost, the Group/Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group/Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income.

## **NOTES TO THE FINANCIAL STATEMENTS – continued**

### **2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

#### **Impairment of assets – continued**

##### *Comparative year – continued*

##### *Financial assets - continued*

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the statement of comprehensive income.

##### *Non-financial assets*

The Group/Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group/Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognised in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group/Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior periods. Such reversal is recognised in the statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

The following criteria are also applied in assessing impairment of specific assets:

##### *Goodwill*

Goodwill is tested for impairment annually as at year end and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than its carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

## **NOTES TO THE FINANCIAL STATEMENTS – continued**

### **2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

#### *Intangible assets*

Intangible assets with finite useful lives are tested for impairment whenever there is an indication that the intangible asset may be impaired.

#### **Investment in associate**

The Group's investment in its associate is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is not amortised nor separately tested for impairment. The statement of comprehensive income reflects the share of the results of operations of the associate. When there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The share of profit of associates is shown on the face of the statement of comprehensive income. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associates.

The financial statements of the associate are prepared for the same reporting year as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the statement of comprehensive income.

#### **Investment in subsidiaries**

The investment in subsidiary companies, which are unlisted, are stated at cost. Provision is made, where in the opinion of the directors, there is a permanent diminution in value. Income from the investment is recognised only to the extent of the distributions received by the Company.

#### **Trade and other receivables**

Receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred. Receivables from related parties are recognised and carried at cost.

#### **Cash and cash equivalents**

Cash in hand and at banks in the statement of financial position comprise cash at banks and in hand.

Cash and cash equivalents are defined as cash in hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**Cash and cash equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any outstanding bank overdrafts.

**Trade and other payables**

Liabilities for amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group/Company. Payables to related parties are carried at cost.

**Interest-bearing loans and borrowings**

All loans and borrowings are initially recognised at the fair value of the consideration received less direct attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the amortisation process.

**Derecognition of financial assets and financial liabilities**

*Financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired; or
- the Group/Company has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group/Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's/Company's continuing involvement in the asset.

*Financial liabilities*

A financial liability is derecognised when the obligation under the liability is either discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

## **NOTES TO THE FINANCIAL STATEMENTS – continued**

### **2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

#### **Earnings per share**

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

### **2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

In preparing the financial statements, management is required to make judgements, estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the financial statements. These estimates are reviewed on a regular basis and if a change is needed, it is accounted in the year the changes become known. The most significant judgements and estimates are as follows:

#### **Impairment of non-financial assets**

The Group's impairment for goodwill is based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the budget for the next three years as approved by management. Cash flow projections beyond this period are extrapolated for the next eight years using a steady growth rate, after which the terminal value is calculated. These budgets do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the Group. The recoverable amount is most sensitive to the growth rate used as well as the expected future net cash-inflows and discount rate used for the discounted cash flow model. The key assumptions used to determine the recoverable amount, including a sensitivity analysis, are further explained in note 9.1.

#### **Going concern**

Management has made an assessment of the company's ability to continue as a going concern and is satisfied that the company has the resources to continue in business for the foreseeable future. Note 2.1 to the financial statements details the going concern assessment.

#### **Development costs**

Development costs are capitalised in accordance with the accounting policy in note 2.4. Initial capitalisation of costs is based on management's judgement that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected year of benefits. At 30 June 2019, the carrying amount of capitalised development costs was EUR2,472,992 (2018: EUR1, 933,246).

In the opinion of management, except for the above, the accounting estimates, assumptions and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised) 'Presentation of financial statements'.

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS – continued**

**Impairment of financial assets**

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 21.

**3. SEGMENT INFORMATION**

For management purposes, the Group is organised into business units based on their products and services as follows:

- Fleet management - Vehicle and Marine Tracking Systems and On the Move Logistics Solutions including tailor-made solutions as well as off-the-shelf packages. This department previously also incorporated products and services which are now classified within Original Equipment Manufacturers in view of the incorporation of Loqus Fleet Limited.
- Original Equipment Manufacturers – This includes Fleet Management contracts which the Group holds with resellers under their own name and branding.
- Back-office processing - variety of high level, off site services to support entities.
- Projects - assist clients in selecting appropriate ICT solutions and in implementing them.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit and loss in the consolidated financial statements. Corporate expenses are allocated based on the segmental revenues. However, the Group assets and liabilities are managed on a Group basis and are not allocated to operating segments.

**Group**

<b>2019</b>	<b>Fleet management</b>	<b>Original Equipment Manufacturers</b>	<b>Back office processing</b>	<b>Projects</b>	<b>Consolidated</b>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
Revenue	2,190,989	126,873	1,739,366	319,147	<b>4,376,375</b>
Purchases and other directly attributable costs	(660,434)	(12,758)	(178,263)	(18,435)	<b>(869,890)</b>
Personnel expenses	(736,586)	(27,807)	(939,011)	(108,535)	<b>(1,811,939)</b>
Other expenses	(281,983)	(6,486)	(187,888)	(43,794)	<b>(520,151)</b>
Operating profit before depreciation and amortisation	511,986	79,822	434,204	148,383	<b>1,174,395</b>
Depreciation and amortisation	(432,523)	(22,664)	(159,893)	(92,803)	<b>(707,883)</b>
Finance cost	(79,035)	(4,577)	(103,299)	(21,912)	<b>(208,823)</b>
<b>Profit before tax</b>	<b>428</b>	<b>52,581</b>	<b>171,012</b>	<b>33,668</b>	<b>257,689</b>



**NOTES TO THE FINANCIAL STATEMENTS – continued**

**3. SEGMENT INFORMATION – continued**

<b>2018</b>	<b>Fleet management</b>	<b>Original Equipment Manufacturers</b>	<b>Back office processing</b>	<b>Projects</b>	<b>Consolidated</b>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
Revenue	1,453,564	176,132	2,107,955	160,300	<b>3,897,951</b>
Purchases and other directly attributable costs	(372,764)	(15,125)	(224,542)	122,700	<b>(489,731)</b>
Personnel expenses	(384,949)	(27,180)	(1,053,507)	(196,047)	<b>(1,661,683)</b>
Other expenses	(163,307)	(15,507)	(323,585)	(72,717)	<b>(575,116)</b>
Operating profit before depreciation and amortisation	532,544	118,320	506,321	14,236	<b>1,171,421</b>
Depreciation and amortisation	(275,579)	(38,023)	(133,392)	(74,096)	<b>(521,090)</b>
Finance cost	(1,787)	(217)	(5,605)	(680)	<b>(8,289)</b>
<b>Profit/(loss) before tax</b>	<b>255,178</b>	<b>80,080</b>	<b>367,324</b>	<b>(60,540)</b>	<b>642,042</b>

There is no inter-segment revenue and all revenue was generated from external customers.

<i>Revenue by geographical markets</i>	<b>Local</b>	<b>Europe</b>	<b>Middle East &amp; South Africa</b>	<b>Australasia</b>	<b>Total</b>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
<b>2019</b>	<b>2,444,963</b>	<b>1,894,300</b>	<b>21,585</b>	<b>15,527</b>	<b>4,376,375</b>
2018	2,631,245	1,170,798	71,954	23,954	3,897,951

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**4. PERSONNEL EXPENSES**

Personnel expenses incurred by the Group/Company during the year are analysed as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
Directors' emoluments	<b>60,000</b>	64,388	<b>42,000</b>	41,338
Wages and salaries	<b>2,830,941</b>	2,484,549	<b>5,000</b>	4,890
Social security defined contribution costs	<b>136,172</b>	122,269	-	-
	<b>3,027,113</b>	2,671,206	<b>47,000</b>	46,228
Capitalised labour costs (note 9)	<b>(1,215,174)</b>	(1,009,523)	-	-
Total personnel expenses	<b>1,811,939</b>	1,661,683	<b>47,000</b>	46,228

Social security defined contribution costs relating to Directors amount to EUR4,501 (2018: EUR4,340).

Directors' emoluments relate to Directors fees. Directors' remuneration and other key management personnel costs are disclosed in more detail in Note 20.

The average number of persons employed by the Group/Company during the years ended 30 June 2019 and 2018, was as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
Operating	<b>76</b>	75	-	-
Administration	<b>15</b>	15	-	-
	<b>91</b>	90	-	-

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**5. OTHER ADMINISTRATIVE EXPENSES**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
Auditor's remuneration	<b>25,878</b>	26,525	<b>2,500</b>	3,017
Bank charges	<b>4,242</b>	3,389	<b>193</b>	35
Creditors Write-Off	-	-	-	-
Fuel and Oil	<b>20,663</b>	26,102	-	-
Insurances	<b>32,432</b>	41,644	-	-
Licenses and subscriptions	<b>(2,490)</b>	13,040	<b>21</b>	23
Listing and registration fees	<b>17,715</b>	15,334	<b>5,959</b>	11,734
Motor Vehicles	<b>14,037</b>	9,869	-	-
Movement in provision for impairment of receivables (note 14)	<b>12,140</b>	41,175	-	-
Movement in unrealised currency exchange	<b>916</b>	(3,438)	-	-
Printing Expenses	<b>10,993</b>	11,636	<b>8,139</b>	7,799
Receivables written off	<b>24</b>	330	-	-
Rent	<b>44,083</b>	44,783	-	-
Staff Training	<b>43,968</b>	(1,132)	-	-
Telecommunications	<b>34,562</b>	25,258	-	-
Water and electricity	<b>19,460</b>	20,265	-	-
Write-Off of stock	<b>3,010</b>	6,510	-	-
Other expenses	<b>46,529</b>	58,864	-	-
	<b>328,162</b>	340,154	<b>16,812</b>	22,608

**Group**

Professional and Consultancy fees included remuneration payable to the company's auditor for tax compliance services of EUR2,254 (2018: EUR3,163).

**Company**

Professional and Consultancy fees included remuneration payable to the company's auditor for tax compliance services of EUR413 (2018: EUR413).

**6. INCOME TAX**

The taxation charge for the year is comprised of the following:

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
Current tax charge				
- current year	-	-	-	-
- over provision in prior period	-	-	-	-
	-	-	-	-

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**6. INCOME TAX – continued**

The taxation on profit/(loss) before tax differs from the theoretical taxation expense that could apply on the Company's profit on ordinary activities before taxation using the applicable taxation in Malta of 35% as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
Profit/(loss) before tax	<b>257,689</b>	642,042	<b>(65,396)</b>	(72,136)
Theoretical taxation (expense)/credit at domestic income tax rate 35%	<b>(90,191)</b>	(224,715)	<b>22,889</b>	25,248
<i>Tax effect of:</i>				
- Income not subject to tax	-	-	-	-
- Non-deductible expenses	<b>(48,482)</b>	(30,940)	<b>(22,889)</b>	(25,248)
- Deferred tax not recognised	<b>138,679</b>	255,652	-	-
- Other differences	<b>(6)</b>	3	-	-
Tax charge	-	-	-	-

**7. EARNINGS PER SHARE**

**7.1 Basic earnings per share**

The calculation of basic earnings per share is based on the consolidated profit for the year attributable to the ordinary equity holders and the Company's (loss)/profit divided by the average number of equity shares outstanding during the year.

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
Profit/(loss) attributable to the ordinary equity holders/Company	257,689	642,042	(65,396)	(72,136)
Average number of equity shares outstanding during the year	<b>31,899,000</b>	31,899,000	<b>31,899,000</b>	31,899,000
<b>Basic profit/(loss) per share attributable to the ordinary equity holders/Company</b>	<b>0c8</b>	2c0	<b>(0c2)</b>	(0c2)

**7.2 Diluted earnings per share**

As at the reporting date there are no instruments that could dilute ordinary shares.

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**8. PROPERTY, PLANT AND EQUIPMENT**

	<b>Equipment furniture &amp; fittings EUR</b>	<b>Motor Vehicles EUR</b>	<b>Factory Improvements EUR</b>	<b>Total EUR</b>
<b>Cost</b>				
At 30 June 2017	1,983,882	56,270	24,333	2,064,485
Additions	19,646	-	-	19,646
Disposals	-	-	-	-
At 30 June 2018	2,003,528	56,270	24,333	2,084,131
Additions	111,747	-	2,155	113,902
Disposals	-	-	-	-
<b>At 30 June 2019</b>	<b>2,115,275</b>	<b>56,270</b>	<b>26,488</b>	<b>2,198,033</b>
<b>Depreciation and impairment</b>				
At 30 June 2017	1,921,443	56,270	7,566	1,985,279
Depreciation charge	19,767	-	2,433	22,200
Release on disposal	-	-	-	-
At 30 June 2018	1,941,210	56,270	9,999	2,007,479
Depreciation charge	29,914	-	2,541	32,455
Release on disposal	-	-	-	-
<b>At 30 June 2019</b>	<b>1,971,124</b>	<b>56,270</b>	<b>12,540</b>	<b>2,039,934</b>
<b>Net Book Value</b>				
<b>At 30 June 2019</b>	<b>144,151</b>	<b>-</b>	<b>13,948</b>	<b>158,099</b>
At 30 June 2018	62,318	-	14,334	76,652
At 30 June 2017	62,439	-	16,767	79,206

As at 30 June 2019, assets amounting to EUR1,267,280 (2018: EUR1,232,213) were fully depreciated.

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**9. INTANGIBLE ASSETS**

	<b>Goodwill EUR</b>	<b>Software Development EUR</b>	<b>Acquired Software EUR</b>	<b>Total EUR</b>
<b>Cost</b>				
At 30 June 2017	5,973,592	6,595,929	519,680	13,089,201
Additions (note 4)	-	1,009,523	-	1,009,523
At 30 June 2018	5,973,592	7,605,452	519,680	14,098,724
Additions (note 4)	-	1,215,174	-	1,215,174
<b>At 30 June 2019</b>	<b>5,973,592</b>	<b>8,820,626</b>	<b>519,680</b>	<b>15,313,898</b>
<b>Amortisation and Impairment</b>				
At 30 June 2017	1,545,670	5,173,316	519,680	7,238,666
Amortisation charge	-	498,890	-	498,890
At 30 June 2018	1,545,670	5,672,206	519,680	7,737,556
Amortisation charge	-	675,428	-	675,428
<b>At 30 June 2019</b>	<b>1,545,670</b>	<b>6,347,634</b>	<b>519,680</b>	<b>8,412,984</b>
<b>Net Book Value</b>				
<b>At 30 June 2019</b>	<b>4,427,922</b>	<b>2,472,992</b>	<b>-</b>	<b>6,900,914</b>
At 30 June 2018	4,427,922	1,933,246	-	6,361,168
At 30 June 2017	4,427,922	1,422,613	-	5,850,535

Intangible assets are made up of goodwill, software development and acquired software. Software development includes capitalised labour cost incurred in the enhancement and development of software.

As at year end, EUR175,019 (2018: EUR175,019), relating to the development of one of the subsidiary's software products, was not in the condition necessary for it to be capable of operating in the manner intended by management.

As at 30 June 2019, assets amounting to EUR3,925,211 (2018: EUR3,608,408) were fully amortised.

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**9. INTANGIBLE ASSETS – continued**

**9.1 Impairment test for the cash-generating units containing goodwill – current period**

The Group performed its annual impairment test as at 30 June 2019. Since management only monitors revenue and directly attributable costs of its business units separately and the decision making process was managed on a group basis, the Group was considered to be a single cash generating unit. The key assumptions used in testing for impairment are based on management's expectations for operational development and growth, which are partly based on past experience. The key parameter is the expected revenue streams. This parameter is based on estimates of the future, and the value in use calculated thus aggregates the natural uncertainty of these estimates.

The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a three year period. The cash flows beyond the budget period are extrapolated using a 6% (2018: 6%) growth rate for years four to eleven and 3% (2018: 3%) thereafter into perpetuity.

The key assumptions used in the value in use calculation are most sensitive to the following assumptions:

- Revenue growth rate (28% average (2018: 26% average) during the budgeted period;
- Growth rates (6% and 3%) beyond the budget period; and
- Pre-tax discount rate 12% (2018: 10%).

As the value in use for the Group is greater than its carrying amount, no impairment has been identified.

The Directors believe that any reasonably possible change in the key assumptions on which the recoverable amount of the cash-generating unit is based, would not cause its carrying amount to exceed its recoverable amount. Further details are provided in note 21 – Liquidity.

**10. INVESTMENT IN SUBSIDIARIES**

**Company**

	<b>Capital subscribed EUR</b>	<b>Shareholders' contribution EUR</b>	<b>Total EUR</b>
<b>At 30 June 2019</b>	<b>2,431,087</b>	<b>7,225,948</b>	<b>9,657,035</b>
At 30 June 2018	2,431,087	7,225,948	9,657,035

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**10. INVESTMENT IN SUBSIDIARIES – continued**

<b>Ownership Interest</b>				
<b>Significant Subsidiaries</b>	<b>Registered Office</b>	<b>2019 %</b>	<b>2018 %</b>	<b>Nature of Business</b>
Loqus Services Limited (note iii)	SUB008A Industrial Estate San Gwann SGN 3000 Malta	99.9	99.9	Back-office Processing
Loqus Solutions Limited	SUB008A Industrial Estate San Gwann SGN 3000 Malta	94.04	94.04	Software solutions
Loqus Consulting Limited	SUB008A Industrial Estate San Gwann SGN 3000 Malta	75.0	75.0	Consulting services
Loqus UK Limited (note i)	The Meridian 4, Copthall House Station Square, Coventry CV1 2FL, United Kingdom	100	100	Fleet management in the UK
Datatrak IT Services Limited (note ii)	SUB008A Industrial Estate San Gwann SGN 3000 Malta	50.2	50.2	Software development and related services
Premiere Post Limited (note iii)	SUB008A Industrial Estate San Gwann SGN 3000 Malta	99.9	99.9	Postal service
Loqus Public Sector Limited (note iv)	SUB008A Industrial Estate San Gwann SGN 3000 Malta	99.9	99.9	Public Sector activities
Loqus Fleet Limited (note v)	SUB008A Industrial Estate San Gwann SGN 3000 Malta	99.9	99.9	Fleet management worldwide

- i. Loqus UK Limited is a limited company registered on 2 July 2010 in the UK with an authorised share capital of 1,000 shares of GBP1 each and an issued share capital of 1 share, fully paid up.
- ii. Datatrak IT Services Limited has been dormant since 1 January 2008 and did not carry out any trading activity during the current year.
- iii. The Company indirectly controls Premiere Post Limited through Loqus Services Limited.



**NOTES TO THE FINANCIAL STATEMENTS – continued**

**10. INVESTMENT IN SUBSIDIARIES – continued**

- iv. The Company acquired 100% of the issued share capital of CCG Investment Limited with effect from 1 January 2014. The company was renamed to Loqus Public Sector Limited. The business and personnel were merged with the public sector activities of the Group.
- v. Loqus Fleet Limited was set up to consolidate the Group's Fleet Management IPR and business.
- vi. Datatrak IT Algeria Sarl is in the process of liquidation and the investment was fully provided for in previous periods. Such subsidiary was not consolidated due to the fact that amounts are immaterial for the Group and no transactions were entered into during the year under review.

**11. INVESTMENT IN ASSOCIATE**

The group's investment in the associated company is held through Loqus Solutions Limited.

		Ownership interest		
		2019	2018	
Significant subsidiary	Registered office	%	%	Nature of business
Datatrak Nigeria Limited	Nigeria	30	30	Data network provider

The issued share capital of Datatrak Nigeria Limited is 85,000,000 shares of 1 Nigerian Naira each, fully paid up. All ordinary shares in the associate carry equal voting rights.

The Group has limited the recognition of losses of the associated company up to the extent of the value of the Group's interest in the enterprise. The Group does not have any exposure beyond its equity interest therein.

**12. DEFERRED TAX**

**Group**

As of 30 June 2019, the Group had deferred tax assets amounting to EUR6,375,573 (2018: EUR6,285,351). These deferred tax assets have not been recognised in these financial statements and will be recognised when utilised against future taxable profits.

These deferred tax assets are in respect of the tax effect of tax losses, capital allowances, investment tax credits and other temporary differences. These deductible temporary differences do not expire under current tax legislation.

Deferred tax assets relating to investment tax credits amount to EUR2,845,750 (2018: EUR2,845,750).

**Company**

As of 30 June 2019, the Company had a deferred tax asset of EUR46,988 (2018: EUR46,988). These deferred tax assets have not been recognised in these financial statements and will be recognised when utilised against future taxable profits.

This deferred tax asset is in respect of the tax effect of tax losses and does not expire under current tax legislation.

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**13. INVENTORIES**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
Raw materials and consumables	<b>15,778</b>	14,168	-	-

Raw materials and consumables of the Group are stated net of a provision for slow moving inventories amounting to EUR NIL (2018: EUR NIL).

**14. TRADE AND OTHER RECEIVABLES**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
Trade receivables (note i)	<b>952,619</b>	860,726	-	-
Other receivables (note i)	<b>110,880</b>	15,708	<b>6,569</b>	6,569
Amounts owed by related parties (note ii)	<b>786,611</b>	775,309	-	-
Prepayments and accrued income	<b>192,797</b>	156,056	<b>3,993</b>	1,771
	<b>2,042,907</b>	1,807,799	<b>10,562</b>	8,340

- i. The effect of initially adopting IFRS 9 is described in note 2.3. For details on the accounting policies with respect to trade receivables and the impairment of trade receivables refer to note 2.5. Trade receivables and other receivables are stated net of impairment allowance, changes in which are presented below:

	<b>Individually impaired</b>		
	<b>Trade receivables</b>	<b>Other receivables</b>	<b>Total</b>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
At 30 June 2018	<b>266,548</b>	<b>78,248</b>	<b>344,796</b>
Movement for the year	<b>12,140</b>	-	<b>12,140</b>
Utilised	<b>24</b>	-	<b>24</b>
At 30 June 2019	<b>278,712</b>	<b>78,248</b>	<b>356,960</b>
At 30 June 2017	225,373	78,248	303,621
Movement for the year	41,505	-	41,505
Utilised	(330)	-	(330)
At 30 June 2018	266,548	78,248	344,796

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**14. TRADE AND OTHER RECEIVABLES – continued**

As at 30 June 2019, the ageing analysis of trade receivables was as follows:

	Total	Neither past due nor impaired	Past due but not impaired		
			<30 days	30-60 days	>60 days
	EUR	EUR	EUR	EUR	EUR
<b>30 June 2019</b>	<b>952,619</b>	<b>742,474</b>	<b>84,211</b>	<b>51,621</b>	<b>74,313</b>
30 June 2018	860,726	364,850	211,110	32,194	252,572

Trade receivables are non-interest bearing and are generally on a 30 day term.

- ii. Amounts due by related parties are interest free and repayable on demand. Amount due from associate of EUR227,728 (2018: EUR227,728) has been fully impaired.

**15. CAPITAL AND RESERVES**

**15.1 Issued capital**

	<b>2019</b>	2018
	<b>EUR</b>	EUR
<b>Authorised</b>		
50,000,000 ordinary shares of EURO.232937 each	<b>11,646,850</b>	11,646,850
<b>Issued and fully paid</b>		
31,899,000 ordinary shares of EURO.232937 each fully paid up	<b>7,430,457</b>	7,430,457

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regards to the Company's residual assets.

**15.2 Share premium**

	<b>2019</b>	2018
	<b>EUR</b>	EUR
At 30 June	<b>847,101</b>	847,101

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**15. CAPITAL AND RESERVES – continued**

**15.3 Capital redemption reserve**

In terms of Section 115 (1) of the Companies Act, Cap. 386 of the Laws of Malta there is a capital maintenance requirement upon redemption of preference shares. Where preference shares are redeemed otherwise than out of proceeds of a fresh issue, an amount equivalent to the nominal amount of the preference shares being redeemed is to be transferred from distributable profits to a capital redemption reserve.

This reserve is non-distributable by way of dividends. It may be applied by the Company in paying up unissued shares of the Company as fully paid bonus shares to the shareholders of the Company.

**16. INTEREST BEARING LOANS AND BORROWINGS**

Bank borrowings comprise bank loans analysed as follows:

**Group**

	<b>2019</b>	2018
	<b>EUR</b>	EUR
<i>Non-current liabilities</i>		
Bank loans	-	-
Amounts owed to related parties (note ii)	<b>905,401</b>	822,294
	<b>905,401</b>	822,294
<i>Current liabilities</i>		
Bank loans (note i)	-	-
Bank overdrafts (note 18)	<b>131,147</b>	92,468
Amounts owed to related parties (note ii)	<b>221,999</b>	230,726
	<b>353,146</b>	323,194
	<b>1,258,547</b>	1,145,488

**Company**

	<b>2019</b>	2018
	<b>EUR</b>	EUR
<i>Non-current liabilities</i>		
Amounts owed to related parties (note ii)	<b>905,401</b>	822,294
<i>Current liabilities</i>		
Amounts owed to related parties (notes ii)	<b>221,999</b>	230,726
	<b>1,127,400</b>	1,053,020

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**16. INTEREST BEARING LOANS AND BORROWINGS – continued**

- i. The Group has a total banking facility of EUR36,000 which relates to guarantee facilities. The banking facilities are secured by general hypothec over the assets of subsidiaries, guarantees provided by Group companies, pledging of cash balances and by general hypothec over the assets, pledging of insurance policies and guarantees of the major shareholder.
- ii. Amounts payables to related parties are unsecured and bear interest at 8% p.a.

The table below shows the bank loans and other borrowings according to when they are expected to be repaid based on their contractual maturity. For the Group's exposure to liquidity, interest rates and foreign currency risks, see note 21.

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
Between 1 and 2 years	-	-	-	-
Between 2 and 5 years	<b>905,401</b>	822,294	<b>905,401</b>	822,294
	<b>905,401</b>	822,294	<b>905,401</b>	822,294

**17. TRADE AND OTHER PAYABLES**

<b>Current</b>	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
Trade payables (note i)	<b>446,696</b>	390,166	<b>5,272</b>	8,013
Trade payables to related parties (note ii)	<b>311,141</b>	210,751	-	-
Other payables	<b>243,880</b>	241,767	-	-
Amounts payable to subsidiaries (note ii)	-	-	<b>59,452</b>	58,281
Other taxes and social security contributions	<b>3,165,817</b>	2,784,104	-	-
Accruals and deferred income	<b>981,524</b>	1,068,117	<b>3,301</b>	8,493
	<b>5,149,058</b>	4,694,905	<b>68,025</b>	74,787

- i. Amounts due to trade payables are unsecured, interest free and are generally on 30-90 days term.
- ii. Trade payables to related parties and subsidiaries are unsecured and bear no interest.

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**18. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of cash in hand and balances with banks. Cash and cash equivalents included in the statement of cash flows reconcile to the amounts in the statement of financial position as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
Bank balances (note i)	<b>29,964</b>	62,974	<b>18</b>	18
Bank overdraft (note 16)	<b>(131,147)</b>	(92,468)	-	-
<b>Cash and cash equivalents</b>	<b>(101,183)</b>	(29,494)	<b>18</b>	18

i. Bank balances are pledged as detailed in note 16.

**19. COMMITMENTS AND CONTINGENCIES**

**19.1 Operating lease commitments – Group as lessee**

The Group leases factory facilities under cancellable operating lease agreements. On the 21 February 2013, the Group signed a new lease agreement with affect from 21 April 2013 and which will terminate on 8 June 2024. This replaced the old lease agreement which started on 28 May 1998 with an initial term of 16 years.

During the year ended 30 June 2019, operating leases amounted to EUR33,985 were recognised as an expense in the statement of comprehensive income (2018: EUR33,883).

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

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>EUR</b>	<b>EUR</b>
Within one year	<b>35,577</b>	33,985
Between 2 and 5 years	<b>140,263</b>	142,310
Over 5 years	-	33,531
	<b>175,840</b>	209,826

**19.2 Operating lease commitments – Group as lessor**

A subsidiary company leased equipment to customers under operating leases equipment amounting to EUR130,208 (2018: EUR130,208). Accumulated depreciation on these assets at year end amounted to EUR130,208 (2018: EUR130,208).

No future lease receivables are expected to be received since all non-cancellable leases have been terminated.

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**19. COMMITMENTS AND CONTINGENCIES – continued**

**19.3 Guarantees**

**The Company**

The Company is a guarantor for EUR36,000 (2018: EUR36,000) in respect to banking facilities provided to two group companies as detailed in note 16.

**20. RELATED PARTY DISCLOSURES**

**Group**

The related parties with which the Group had balances outstanding or transactions were as follows:

GO plc	(shareholder of the Company)
GDL Trading Limited	(other related party)
E-tail Limited	(other related party)
METIS Consultancy and Services Limited	(other related party)
JFC Trading Limited	(other related party)
FSC Limited	(other related party)
Navicula Limited	(other related party)

*Transactions with related parties*

During the year, the Group entered into various transactions with related parties, as follows:

	2019			2018		
	EUR Related Party Activity	EUR Total Activity	% of Total	EUR Related Party Activity	EUR Total Activity	% of Total
<i>Revenue</i>						
Sales	26,162	4,376,375	1%	23,882	3,897,951	1%
<i>Expenses</i>						
Purchases and other directly attributable costs	184,874	869,890	21%	141,179	489,731	29%
Telecommunication Expenses	10,736	34,562	31%	10,469	25,258	41%
Professional Fees	51,213	50,606	101%	51,213	85,235	60%
Other expenses	27,583	328,162	8%	-	-	-
Finance Expenses	101,565	208,823	49%	96,002	8,289	1158%

*Balances with related parties*

No expense has been recognised in the year end for bad or doubtful debts in respect of amounts due by related parties and there are no provisions for doubtful debts in respect of outstanding amounts due to related parties. Balances with related parties and their terms and conditions are disclosed in notes 14, 16 and 17.

## NOTES TO THE FINANCIAL STATEMENTS – continued

### 20. RELATED PARTY DISCLOSURES – continued

#### Group – continued

##### *Key management personnel*

Wages and salaries include an amount of EUR1,075,030 (2018: EUR1,073,648) paid as salaries to key management personnel. Total salaries paid to Executive Directors amounted to EUR707,135 (2018: EUR706,748). The Board of Directors are considered to be key management personnel and total Directors' emoluments are included in note 4 – Personnel Expenses.

#### Company

##### *Transactions with related parties*

During the year, the Company entered into various transactions with related parties, as follows:

	2019 EUR	2018 EUR
Finance Expenses	<u>101,565</u>	<u>96,002</u>

##### *Balances with related parties*

Balances with related parties and their terms and conditions are disclosed in notes 14, 16 and 17.

##### *Key management personnel*

Total Directors' emoluments are included in note 4 – Personnel Expenses.

### 21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

#### Overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.



**NOTES TO THE FINANCIAL STATEMENTS – continued**

**21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued**

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how the management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

**Credit risk**

Credit risk is the risk of the financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

*Trade and other receivables*

Aged receivables are regularly monitored in order to highlight potential credit risks and also to assist in cash flow planning. The Group's invoicing system contains specific payment terms which are enforced accordingly. Customers that are found to be in substantial arrears on settlement are contacted and should they not regulate their position, the service provided is terminated after giving sufficient notice. The monitoring is carried out by both the accounts and sales departments in order to ensure that the credit limits and terms are adjusted accordingly. Customers that are considered to be a credit risk are referred to the Chief Financial Officer for appropriate action.

The Group does not require collateral in respect of trade and other receivables.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. Before the adoption of IFRS 9, the main component of this allowance was a specific loss component that related to individually significant exposures. In the year under review the allowance was calculated using the simplified approach due to the fact that the Group's trade receivables are of a short-term nature as they are based on credit terms of not more than 60 days and therefore do not require significant financing component. The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. To this end trade receivables were analysed by local and overseas balances and measures such as political and economic conditions have been considered when calculating the impairment allowance apart from the historical rate. For receivables over the 360 days, the loss rate was adjusted to take into consideration the proportion of actual recoveries over the selected period.

*Exposure to credit risk*

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

The Group's exposure to concentration of risk arises from activity exceeding 25% of its revenues. At year end the Group had EUR622,331 (2018: EUR478,066) owed by a major customer representing 65% (2018: 56%) of the Group's total trade receivables. This customer generated EUR2,368,349 (2018: EUR2,438,388) of the Group's total revenue, representing 54% (2018: 63%) of the Group's total revenue.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued**

*Cash at bank*

The cash at bank balances held by the Group and the Company are disclosed in Note 18. Currently the Group holds its cash at bank balances with reputable and investment grade rated banking institutions. Local banks form part of a larger group with credit rating of A by Standard and Poor's, A2 by Moody's and AA- by Fitch.

**Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Directors have a reasonable expectation that the Group has adequate resources to improve its liquidity. Furthermore, the Group maintains lines of credit as disclosed in note 16 to these financial statements.

*Contractual maturities*

The following are the undiscounted contractual maturities of financial liabilities:

**Group**

**Year ended 30 June 2019**

	Carrying amount	Contractual Cash flows	Less than 6 months	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Bank loans	-	-	-	-	-	-	-
Other borrowings	-	-	-	-	-	-	-
Trade and other payables	5,149,058	5,149,058	3,445,387	609,047	421,666	672,958	-
Bank overdraft	131,146	131,146	131,146	-	-	-	-
Amounts owed to related parties	1,127,400	1,552,330	-	221,999	-	1,330,331	-
	<b>6,407,604</b>	<b>6,832,534</b>	<b>3,576,533</b>	<b>831,046</b>	<b>421,666</b>	<b>2,003,289</b>	<b>-</b>

**Year ended 30 June 2018**

	Carrying amount	Contractual Cash flows	Less than 6 months	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Bank loans	-	-	-	-	-	-	-
Other borrowings	-	-	-	-	-	-	-
Trade and other payables	4,694,905	4,694,905	3,287,099	395,246	738,000	274,560	-
Bank overdraft	92,468	92,468	92,468	-	-	-	-
Amounts owed to related parties	1,053,020	1,438,945	-	230,726	-	1,208,219	-
	<b>5,840,393</b>	<b>6,226,318</b>	<b>3,379,567</b>	<b>625,972</b>	<b>738,000</b>	<b>1,482,779</b>	<b>-</b>

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued**

**Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income and equity. The Group had limited exposure to foreign exchange risk, while interest on borrowings is denominated in Euro which matches the cash flows generated by the underlying operations of the Group. The Group's interest bearing loans and borrowings are priced at a margin over the bank's base rate, which reflects local market rates. Bank borrowings are hence repriceable when the Company's bankers amend their base rate.

**Currency risk**

*Exposure to currency risk*

All the Group's assets and liabilities are denominated in the functional currency except the following trade receivables and trade payables (based on notional amounts):

	2019		2018	
	GBP	USD	GBP	USD
<b>Trade receivables</b>	<b>354,292</b>	-	240,774	-
<b>Trade payables</b>	<b>(42,608)</b>	<b>(66,535)</b>	(39,071)	(63,842)
	<b>311,684</b>	<b>(66,535)</b>	201,703	(63,842)

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2019	2018	2019	2018
GBP1	<b>0.8817</b>	0.8863	<b>0.8966</b>	0.8852
USD1	<b>1.1412</b>	1.1930	<b>1.1380</b>	1.1583

The Group's exposure to currency risk is therefore limited, as shown in the table above.

**Interest rate risk**

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Notes 14, 16 and 17 incorporate information with respect to the Group/Company's assets and liabilities exposure to interest rates. Up to the reporting date the Group/Company did not have any hedging policy with respect to interest rate risk as exposure to such risks was not deemed to be significant by the Directors.

The interest rate risk and terms of repayment of interest-bearing instruments at reporting date are set out in note 16 to the financial statements.

Interest rates in bank borrowings are established at a margin over the banker's base rate, whilst other borrowings are established at a margin below the ECB's base rate. Borrowings are hence repriceable when base rates are amended.

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued**

**Interest rate risk – continued**

The following table demonstrates the sensitivity of the Group/Company's profit before tax to a reasonably possible change in interest rates, with all other variables held constant, based on the balances at year end.

	<b>Increase/ decrease in basis points</b>	<b>Effect on profit/(loss) before tax EUR000</b>
<b>2019</b>	<b>+100/-100</b>	<b>(2)/2</b>
2018	+100/-100	(2)/2

**Fair values**

The fair values of the financial assets which are measured at amortised cost are not materially different from their carrying amount.

**Capital management**

Capital includes equity attributable to equity holders of the parent. The primary objective of the Group and the Company's capital management is to improve its capital ratios in order to support its business and maximise shareholder value. The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust capital structure, the Group and the Company may adjust dividend payments to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year.

**LOQUS HOLDINGS P.L.C.****Annual Financial Statements for the year ended 30 June 2019****SUMMARISED RESULTS FOR THE PAST FIVE YEARS**

As at 30 June	2019 EUR	2018 EUR	2017 EUR	2016 EUR	2015 EUR
<b>FINANCIAL</b>					
Revenue	4,376,375	3,897,951	3,476,867	3,893,957	4,181,363
Operating Profit	1,694,546	1,746,537	1,522,007	1,188,301	1,038,377
EBITDA	1,174,395	1,171,421	990,015	690,323	334,232
Profit for the year	257,689	642,042	484,014	266,702	55,815
Earnings per share	0c8	2c0	1c5	0c8	0c2
<b>LIQUIDITY</b>					
Cash generated from operations	1,257,387	870,943	941,943	416,826	693,714
Net cash	(71,689)	(158,226)	128,732	106,357	108,429
<b>NUMBER OF EMPLOYEES</b>	91	90	88	79	80

## **Independent auditor's report**

To the Shareholders of Loqus Holdings p.l.c.

### **Opinion**

We have audited the individual financial statements of Loqus Holdings p.l.c.(the Company) and the consolidated financial statements of the Company and its subsidiaries (together, the Group) set out on pages 15 to 64, which comprise the statements of financial position of the Company and the Group as at 30 June 2019, and the statements of comprehensive income, statements of changes in equity and statement of cash flows for the year then ended of the company and the group and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Loqus Holdings p.l.c and its Group as at 30 June 2019, and of the Company's and its Group's financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have been prepared in accordance with the requirements of the Companies Act (Cap. 386).

### **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 that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 we also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. The Key audit matters described below pertain to both the individual and the consolidated financial statements. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Independent auditor's report

To the Shareholders of Loqus Holdings p.l.c. (continued)

### Key Audit Matters (continued)

#### Intangible assets

##### *Risk description*

One of the main assets of the Group, relates to intangible assets consisting of both Goodwill and software which amounts to €6,900,914 (2018 - €6,361,168) as per note 9 to the financial statements. Under IFRSs as adopted by the European Union the Group is required to annually test the amount of Goodwill and similar assets for impairment. The annual impairment test was significant to our audit because the assessment process is complex and highly judgemental and is based on assumptions that are affected by expected future market or economic conditions.

##### *How the scope of our audit responded to the risk*

We have performed the following tests so as to address the above mentioned risk:

- We have critically tested the forecasts adopted by the Group and evaluated the assumptions and methodologies used by the Group in preparing these forecasts. Particular emphasis was placed in reviewing the forecasted revenue growth and profit margins
- We have adopted a margin cut on all forecasted revenue to ensure that the overall value was still in excess of the book value.
- We have reviewed correspondence and minutes which discuss the overall values and conditions which may be offered and accepted by the Group's board for the potential sale of part of the software or companies which are creating the goodwill.

The group's disclosures on the significant judgement surrounding the impairment testing are found in note 2.5 to the financial statements.

#### Dependence on Key Management

##### *Risk description*

As is common in various organisations there exist within the Group certain Key Managers who are of critical importance because of their knowledge and knowhow to the Group. Such employees handle customer relationships directly and also are of strategic importance to the Group. Moreover they are also critical in the writing of the necessary programs and software which are fundamental to the Group's continuous development.

##### *How the scope of our audit responded to the risk*

We considered the roles played by the identified Key Management and assessed whether there exists within the Group a system of knowledge sharing and succession planning. We also assessed whether critical employees are remunerated in a manner which reflects their role and the industry norm and we reviewed the minutes of the newly set up remuneration committee that will be monitoring this aspect.



## **Independent auditor's report**

To the Shareholders of Loqus Holdings p.l.c (continued)

### **Other Information**

The directors are responsible for the other information. The other information comprises the chairman's statement, the chief executive officer's review, directors' report, statement of directors' responsibilities, general information, directors' statement of compliance with the code of principles of good corporate governance and other disclosures in terms of listing rules. However, the other information does not include the separate and consolidated financial statements and our auditor's report thereon.

Except for our opinion on the directors' report in accordance with the Companies Act (Cap.386) and on the directors' statement of compliance with the code of principles of good corporate governance in accordance with the Listing Rules issued by the Maltese Listing Authority our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information 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 Maltese Companies Act (Cap. 386). 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 Maltese Companies Act (Cap.386).

In addition, in the light of the knowledge and understanding of the Company and 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. We have nothing to report in this regard.

### **Responsibilities of the Directors**

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS's as adopted by the European Union and the Maltese Companies Act (Chap 386), 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company and the Group or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company's and Group's financial reporting process.



## **Independent auditor's report**

To the Shareholders of Loqus Holding p.l.c. (continued)

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In terms of article 179A(4) of the Companies Act (Cap.386), the scope of our audit does not include assurance on the future viability of the audited entity or on the efficiency or effectiveness with which the directors have conducted or will conduct the affairs of the entity.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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.

## **Independent auditor's report**

To the Shareholders of Loqus Holding p.l.c. (continued)

### **Auditor's Responsibilities for the Audit of the Financial Statements (continued )**

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee 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 the audit Committee with a statement that we have complied with 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.

### **Report on the Corporate Governance statement of compliance**

The Listing Rules issued by the Malta Listing Authority require the directors to prepare and include in their annual report a Corporate Governance 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 the auditor to include a report on the Corporate Governance Statement of Compliance prepared by the directors. We read the Corporate Governance Statement of Compliance 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 Corporate Governance Statement covers all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

In our opinion, the Corporate Governance Statement of Compliance set out on pages 6 to 14 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.

## **Independent auditor's report**

To the Shareholders of Loqus Holdings p.l.c. (continued)

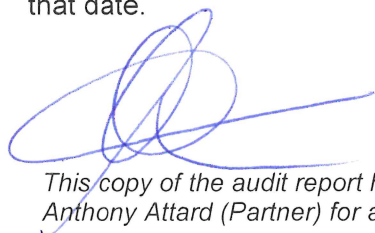
### **Adequacy of explanations received and accounting records**

Under the Maltese Companies Act (Cap. 386) we are required to report to you if, in our opinion:

- We have not received all the information and explanations we require for our audit.
- 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.
- Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report

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

We were appointed by the shareholders as auditors of Loqus Holdings p.l.c. on 3 December 2012, as for the year ended 30 June 2012 and have operated as statutory auditor ever since that date.



*This copy of the audit report has been signed by  
Anthony Attard (Partner) for and on behalf of*

#### **Mazars Malta**

Certified Public Accountants

Attard,  
Malta

30 October 2019

## OTHER DISCLOSURES IN TERMS OF THE LISTING RULES

### Share Capital Structure

In the year under review, the Company's authorised share capital was eleven million six hundred and forty-six thousand eight hundred and fifty Euro (EUR11,646,850) divided into fifty million (50,000,000) ordinary shares of EUR0.232937 per share. The Company's issued share capital was seven million four hundred and thirty thousand four hundred fifty-seven Euro (EUR7,430,457) divided into thirty-one million eight hundred and ninety-nine thousand (31,899,000) ordinary shares having a nominal value EUR0.232937 per share.

All of the issued shares of the Company form part of one class of ordinary shares in the Company, which shares are listed on the Malta Stock Exchange. All shares in the Company have the same rights and entitlements and rank *paripassu* between themselves.

**Dividends:** The shares carry the right to participate in any distribution of dividend declared by the Company in general meeting on the recommendation of the Directors.

**Voting Rights:** Each share entitles its holder to one vote per share at meetings of shareholders.

**Pre-emption rights:** None.

**Transferability:** All the shares are freely transferable in accordance with the rules and regulations of the Malta Stock Exchange, applicable from time to time.

There are no agreements between shareholders which are known to the Company and may result in restrictions on the transfer of securities and/or voting rights.

**Mandatory takeover bids:** Chapter 11 of the Listing Rules, implementing the relevant Squeeze-Out and Sell-Out Rules provisions of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004, regulates the acquisition by a person or persons acting in concert of the control of a company and provides specific rules on takeover bids, squeeze-out rules and sell-out rules. The shareholders of the Company may be protected by the said Listing Rules in the event that the Company is subject to a Takeover Bid (as defined therein). The Listing Rules may be viewed on the official website ([www.mfsa.com.mt](http://www.mfsa.com.mt)) of the Listing Authority.

### Holdings in excess of 5% of the share capital

On the basis of the information available to the Company, the direct and indirect shareholders as at the 30 June 2019 and 21 October 2019 in excess of 5% of the share capital of the Company are the following:

	30 June 2019		21 October 2019	
	Number of Shares	Holding %	Number of Shares	Holding %
JFC Holdings Limited	15,949,500	50.00	15,949,500	50.00
Go plc	4,784,850	15.00	4,784,850	15.00

## **OTHER DISCLOSURES IN TERMS OF THE LISTING RULES - continued**

### **Appointment and replacement of Directors (in terms of articles 54 to 60 of the Company's Articles of Association)**

The Directors of the Company must be individuals.

1. The Directors shall be appointed as follows:

- a. A Member holding not less than ten per cent of the equity securities having voting rights or a number of Members who between them hold not less than ten per cent of the equity securities are entitled to appoint one Director for every ten per cent holding, by letter to the Company. In the event that any such appointment is intended to fill a vacancy resulting from the retirement of a Director at an Annual General Meeting, any such letter may be sent in advance of the Annual General Meeting in question and the appointment thereby has effect immediately at the end thereof;
- b. Any Member who (i) does not qualify to appoint Directors in terms of the provisions abovementioned (1a) and (ii) any Member who, although qualified as aforesaid has not voted all his equity securities having voting rights (or some of them) for the purposes of appointing a Director(s) pursuant thereto, shall be entitled to vote such of his equity securities as shall not have been so voted on any resolution or resolutions to fill vacancies in the Board of Directors.

An election pursuant to point 1(b) above shall be held every year, if there are vacancies on Board which are not filled by the appointment of Directors pursuant to point 1(a) above.

Unless they resign or are removed, Directors shall hold office up until the end of the next Annual General Meeting following their appointment. Directors whose term of office expires or who resign or are removed are eligible for re-appointment.

In the event that there are, or are to be, vacancies in the Board of Directors which will not be filled by appointments made pursuant to point 1(a) above, the Company shall grant a period of at least 14 days to Members to nominate candidates for appointment as Directors. Such notice may be given by the publication of an advertisement in at least two daily newspapers. All such nominations shall on pain of disqualification be made on the form to be prescribed by the Directors from time to time and shall reach the office not later than 14 days after the publication of the said notice.

In respect of the appointment of Directors pursuant to point 1(b) above every Member or group of Members holding alone or between them at least EUR232,937 in nominal value of equity securities entitled to vote in terms of that point 1(b) above shall be entitled to nominate one person to stand for appointment as Director.

Unless a Member demands that a vote be taken in respect of all or any one or more of the nominees, in the event that there are as many nominations as there are vacancies or less, no voting will take place and the nominees will be deemed appointed Directors.

2. The Directors shall be replaced as follows:

- a. Any Director may be removed at any time by the Member or Members by whom he was appointed. The removal may be made in the same manner as the appointment.
- b. Any Director may be removed at any time by the Company in general meeting pursuant to the provisions of section 140 of the Companies Act, Cap. 386 of Malta.

## **OTHER DISCLOSURES IN TERMS OF THE LISTING RULES - continued**

Without prejudice to the provisions of the Companies Act, Cap. 386 of the Laws of Malta, the office of a Director shall 'ipso facto' be vacated:-

- a. If, by notice in writing to the Company, he resigns from the office of Director; or
- b. If he absents himself from the meetings of the Directors for a continuous period of 3 calendar months without leave of absence from the Directors and the Directors pass a resolution that he has, by reason of such absence, vacated office; or
- c. If he violates the declaration of secrecy required of him under the Articles and the Directors pass a resolution that he has so violated the declaration of secrecy; or
- d. If he is prohibited by or under any law from being a Director; or
- e. If he is removed from office pursuant to the Articles of Association or the Companies Act, Cap. 386 of the Laws of Malta; or
- f. If he becomes of unsound mind, or is convicted of any crime involving public trust, or declared bankrupt during his term of office and the Directors pass a resolution that he has for such reasons vacated office.

A resolution of the Directors declaring a Director to have vacated office as aforesaid shall be conclusive as to the fact and the grounds of vacation stated in the resolution.

Any vacancy among the Directors may be filled by the co-option of another person to fill such vacancy.

Such co-option shall be made by the Board of Directors. Any vacancy among the Directors filled as aforesaid, shall be valid until the conclusion of the next Annual General Meeting.

In the event that at any time and for any reason the number of Directors falls below the minimum number established by the Memorandum of Association of the Company then, notwithstanding the provisions regulating the quorum for meetings of the Directors, the remaining Directors may continue to act notwithstanding any vacancy in their body, provided they shall, with all convenient speed, and under no circumstances later than 3 months from the date upon which the number of Directors has fallen below the minimum, convene a general meeting for the sole purpose of appointing/electing the Directors.

### **Amendment of the Memorandum and Articles of Association**

In terms of the Companies Act, Cap. 386 of Malta, the Company may by extraordinary resolution at a general meeting alter or add to its Memorandum or Articles of Association. An extraordinary resolution is one where:

- a. it has been taken at a general meeting of which notice specifying the intention to propose the text of the resolution as an extraordinary resolution and the principle purpose thereof has been duly given.
- b. it has been passed by a shareholder or shareholders having the right to attend and vote at the meeting holding in the aggregate not less than seventy five per cent (75%) in nominal value of the shares issued by the Company represented and entitled to vote at the meeting and at least fifty one per cent (51%) in nominal value of all the shares issued by the Company and entitled to vote at the meeting.



## **OTHER DISCLOSURES IN TERMS OF THE LISTING RULES – continued**

### **Amendment of the Memorandum and Articles of Association – continued**

Provided that, if one of the aforesaid majorities is obtained but not both, another meeting shall be convened within thirty (30) days in accordance with the provisions for the calling of meetings to take a fresh vote on the proposed resolution. At the second meeting the resolution may be passed by a shareholder or shareholders having the right to attend and vote at the meeting holding in the aggregate not less than seventy five per cent (75%) in nominal value of the shares issued by the Company represented and entitled to vote at the meeting. However, if more than half in nominal value of all the shares issued by the Company having the right to vote at the meeting is represented at that meeting, a simple majority in nominal value of such shares so represented shall suffice.

Provided further that in respect of a resolution for a change in the public limited company status of the Company the requisite majority shall be not less than ninety-five per cent (95%) of the nominal value of the shares entitled to attend and vote at the general meeting.

### **Board Member Powers**

The Directors are vested with the management of the Company, and their powers of management and administration emanate directly from the Memorandum and Articles of Association and the law. The Directors are empowered to act on behalf of the Company and in this respect have the authority to enter into contracts, sue and be sued in representation of the Company. In terms of the Memorandum and Articles of Association they may do all such things that are not by the Memorandum and Articles of Association reserved for the Company in general meeting or by any provision contained in any law in force at the time.

Subject to regulatory requirements, the Company may in accordance with Article 10 of its Articles of Association, acquire its own shares.

### **Other**

There are no special control rights.

There are no significant agreements to which the Company is a party and which take effect, alter or terminate upon a change of control of the Company following a take-over bid.

There are no agreements between the Company and its Board Members or employees by providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid.

## **STATEMENT BY THE DIRECTORS ON THE FINANCIAL STATEMENTS AND OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT**

Pursuant to Listing Rule 5.55.2, we, the undersigned, declare that to the best of our knowledge, the financial statements included in the Annual Report and prepared in accordance with the requirements of International Financial Reporting Standards as adopted by the European Union give a true and fair view of the assets, liabilities, financial position and profit of the Group and that this report includes a fair review of the development and performance of the business and position of the Company, together with a description of the principal risks and uncertainties that it faces.

Signed on behalf of the Board of Directors by:



**WALTER BONNICI**  
Chairman



**JOSEPH FENECH CONTI**  
Director

30 October 2019



## SHAREHOLDER REGISTER INFORMATION

Directors' interests in the Company as at 30 June 2019 and as at 21 October 2019.

Shareholder Range	Ordinary shares held as at 30.06.18	Ordinary shares held as at 21.10.19	Movement in shares held by Directors
Mr Anthony Demajo	1,350,750	1,350,750	-

Mr Joseph Fenech Conti has a beneficial interest of 15,949,500 shares currently registered in the name of JFC Holdings Limited. Mr Walter Bonnici has a beneficial interest of 1,434,030 shares currently registered in the name of GDL Trading and Services Limited. There have been no changes after year end up to 21 October 2019.

Holders holding 5% or more of the Share Capital at 30 June 2019 and at 21 October 2019.

	<u>Ordinary Shares of EUR0.2329374 each at:</u>			
	30.06.18		21.10.19	
	Number of shares	Holding (%)	Number of shares	Holding (%)
JFC Holdings Limited	15,949,500	50.00	15,949,500	50.00
GO P.L.C.	4,784,850	15.00	4,784,850	15.00

### Number of holders

The total number of shareholders at year end was 1,469. As at 21 October 2019, 1,464 shareholders held the Company's issued share capital consisting of 31,899,000 shares. All shares are of equal class and carry equal voting rights.

Shareholder Range	Number of holders at 30.06.19	Number of holders at 21.10.19	Movement in holders increase /(decrease)
1 - 500 shares	378	378	-
501 - 1,000 shares	407	405	(2)
1,001 - 5,000 shares	566	563	(3)
5,001 and over	118	118	-
	<u>1,469</u>	<u>1,464</u>	<u>(5)</u>

### Company Secretary and Registered Address

Dr Adrian Mallia  
SUB008A, Industrial Estate  
San Gwann SGN 3000  
Malta

**LOQUS Holdings PLC**

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