

1923 Investments p.l.c
(formerly PTL Holdings p.l.c)

C 63261

Report and financial statements

31 December 2017

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1923 Investments p.l.c. (formerly PTL Holdings p.l.c.)

Directors, officer and other information

Directors: Charles Borg (appointed as Chairman on 7 December 2017)
Richard Abdilla Castillo (appointed on 7 December 2017)
Geoffrey Camilleri
Karl Fritz
Carmelo sive Melo Hili (resigned on 7 December 2017)
Tomasz Nawrocki (resigned 1 June 2017)
John Trefor Price Roberts
Stephen Kenneth Tarr
Margrith Lutschg Emmenegger (appointed 7 December 2017)

Secretary: Karen Coppini

Registered office: Nineteen Twenty-Three
Valletta Road
Marsa
Malta

Country of incorporation: Malta

Company registration number: C 63261

Auditor: Grant Thornton
Fort Business Centre
Mriehel Bypass
Birkirkara
Malta

Banker: HSBC Bank Malta p.l.c.
HSBC Head Office
Mill Street
Qormi
Malta

HSBC Bank Polska S.A.
Marsalkowska, 89
Warsawa
Poland

ING Bank Śląski S.A.
ul. Puławska 2, 02-566
Warsaw
Poland

1923 Investments p.l.c. (formerly PTL Holdings p.l.c.)

Directors' report

Year ended 31 December 2017

The directors present their report and the audited financial statements of the group and holding company for the year ended 31 December 2017.

Change in Company Name

With effect from 18 December 2017, the Company changed its name from PTL Holdings p.l.c. to 1923 Investments p.l.c.

Principal activities

The group is engaged in the sale and distribution of Apple Products as an Apple Premium Reseller, as well as the sale, maintenance and servicing of information technology solutions, security systems and provides electronic payment solutions. As from December 2017, the group is also engaged in providing road, sea and air logistics services in Malta and in Poland.

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

Performance review

During the year under review, the Group registered an operating profit of *Eur2,138,459* (2016 – *Eur2,732,493*) on revenue of *Eur97,535,475* (2016 – *Eur86,421,325*). After accounting for finance costs, the Group registered a loss after tax of *Eur679,485* (2016 – *Eur751,993*). In 2017, the group's results included one-time hits amounting to *Eur385,438* including *Eur253,438* loss on disposal of associate and *Eur132,000* write-offs and adjustments.

The group's net assets at the end of 2017 amounted to *Eur33,710,824* (2016 – *Eur4,751,024*). The increase in the group's Net Asset Value is primarily attributable to the acquisition of Hili Logistics Ltd from Hili Ventures Ltd. In aggregate, intercompany balances amounting to *Eur27,175,276* were capitalised. The Net Asset Value also increased because of the effect of exchange difference on translation of foreign currency operations which in 2017 amounted to a favourable movement of *Eur2,190,639* compared to an adverse movement of *Eur1,065,171* in 2016.

During the year under review, the company earned revenue and investment income of *Eur420,000* and *Eur2,934,203* respectively (2016: revenue of *Eur420,000* and investment income of *Eur1,323,583*). After accounting for finance costs and administrative expenditure, the company registered a profit after tax of *Eur979,761* (2016: loss of *Eur481,280*). The net assets of the company at the end of 2017 amounted to *Eur36,474,533* (2016: *Eur8,188,603*).

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

Financial

The group's current ratio ("current assets divided by current liabilities) currently stands at 1:1 relatively unvaried compared to the same ratio in 2016. The company uses this indicator as a measure of liquidity.

1923 Investments p.l.c. (formerly PTL Holdings p.l.c.)

Directors' report (continued)

Year ended 31 December 2017

Performance review (continued)

The group measures its performance based on EBITDA. EBITDA is defined as the group profit before depreciation, amortisation, net finance expense and taxation. During the year under review, EBITDA increased by 4.7% to Eur4,276,545 from Eur4,082,802.

The group's EBITDA margin dropped to 4.4% (2016 – 4.7%).

The group aims to deliver a return on average capital employed above the level of its cost of funding. The return on average capital employed represents the profit on ordinary activities before finance costs and exceptional items but including share of results of joint ventures, divided by the average of opening and closing tangible net worth, normalised without Hili Logistics net worth which is consolidated at the end of the year and was not applied in generating the financial performance of the year. The company ensures that this capital is used as effectively as possible. The return on average capital employed decreased from 6% to 3% during the year under review due to a drop in profitability.

The group's gearing ratio has reduced to 60% (2016: 89%). Interest cover stands at 1.7 compared to 1.5 in 2016, a reduction which is a direct result of the drop in EBITDA.

Non-financial

Customer satisfaction is constantly monitored within SAD in Poland and Romania. The conversion rate, which measures the percentage of actual purchases compared to customers entering the store increased in 2017 and the number of clients in 2017 increased by 3.7% over 2016 and had a higher average basket spend compared to 2016.

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

1923 Investments p.l.c. (formerly PTL Holdings p.l.c.)

Directors' report (continued)

Year ended 31 December 2017

Performance review (continued)

Principal risks and uncertainties

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

1923 Investments has established strategic relationships with its key suppliers. These relationships support 1923 Investments' product and service offerings, and sales activities generally. There is no guarantee that 1923 Investments will be able to maintain these alliances, enter into further alliances or that existing suppliers will not enter into relationships with 1923 Investments' competitors. The loss of any of these relationships, in particular, the agreement with Apple that authorises 1923 Investments to engage in the sale and distribution of Apple products as an Apple Premium Reseller in Poland, Hungary and Romania, could have a material adverse effect on 1923 Investments' business, results of operations and financial condition.

Financial risk management

Note 35 to the financial statements provides details in connection with 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 4 to the financial statements provides details in connection with the inherent uncertainties that surround the preparation of the financial statements which require significant estimates and judgements.

Results and dividends

The results for the year ended 31 December 2017 are shown in the statements of profit or loss and other comprehensive income on page 12. The group's loss for the year after taxation was *Eur679,485* (2016 – *Eur751,993*), whilst the company's profit for the year after taxation was *Eur979,761* (2016 – loss of *Eur481,280*).

No final dividend is being recommended.

1923 Investments p.l.c. (formerly PTL Holdings p.l.c.)

Directors' report (continued)

Year ended 31 December 2017

Likely future business developments

The future outlook of 1923 Investments p.l.c. is to continue operating and managing Hili Ventures' investments, other than the operation of McDonald's restaurants and the property division, which are managed by Premier Capital p.l.c. and Hili Properties p.l.c. respectively.

Post balance sheet events

As at date of financial statement approval, two subsidiary undertakings within the group, iSpot Holdings BV and Hili Company BV are in the process of a cross-border merger with their immediate parent companies; 1923 Investments plc and Hili Logistics Ltd respectively.

Directors

The directors who served during the period were:

Charles Borg (Chairman – appointed 7 December 2017)
Richard Abdilla Castillo (appointed 7 December 2017)
Geoffrey Camilleri
Karl Fritz
Carmelo (sive) Melo Hili (resigned 7 December 2017)
Tomasz Nawrocki (resigned 1 June 2017)
John Trefor Price Roberts
Stephen Kenneth Tarr
Margrit Lutschg-Emmenegger (appointed 7 December 2017)

In accordance with the company's articles of association all the directors are to remain in office.

Going Concern


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

Auditors

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

Approved by the board of directors and signed on its behalf on 26 April 2018 by:


Charles Borg
Chairman


Stephen Kenneth Tarr
Director

1923 Investments p.l.c. (formerly PTL Holdings p.l.c.)

Statement of directors' responsibilities

The directors are required by the Companies Act (Cap. 386) to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the EU, which give a true and fair view of the state of affairs of the company and its group at the end of each financial year and of its profit or loss of the company and its group for the year then ended. In preparing the financial statements, the directors should:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the company and the group will continue in business as a going concern.

The directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the company and the group and which enable the directors to ensure that the financial statements comply with the Companies Act (Cap 386). This responsibility includes designing, implementing and maintaining 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. The directors are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

We confirm that to the best of our knowledge:

- a. In accordance with the Listing Rule 5.68, the financial statements give a true and fair view of the financial position of the company and its group as at 31 December 2017 and of their financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU; and
- b. In accordance with the Listing Rules, the Directors' report includes a fair review of the performance of the business and the position of the Issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.



Charles Borg
Chairman



Stephen Kenneth Tarr
Director

1923 Investments p.l.c. (formerly PTL Holdings p.l.c.)

Corporate governance statement

Introduction

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

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

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

Additionally, the Board recognises that, by virtue of Listing Rule 5.101, the company is exempt from making available the information required in terms of Listing Rules 5.97.1 to 5.97.3; 5.97.6 and 5.97.7.

The Board of Directors

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

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

For the purpose of listing rules 5.118 and 5.119, Mr John Trefor Price Roberts, Mr Karl Fritz, Mr Carmelo Borg and Ms Margrit Lutschg-Emmenegger are independent non-executive directors of the company.

Executive Directors

Tomasz Nawrocki (resigned 1 June 2017)

Richard Abdilla Castillo (Chief Executive Officer, appointed 7 December 2017)

Non-Executive Directors

Carmelo (sive) Melo Hili (resigned 7 December 2017)

Stephen Kenneth Tarr

Geoffrey Camilleri

1923 Investments p.l.c. (formerly PTL Holdings p.l.c.)

Corporate governance statement (continued)

The Board of Directors (continued)

Independent Non-Executive Directors

John Trefor Price Roberts

Karl Fritz

Margrit Lutschg-Emmenegger (appointed 7 December 2017)

Charles Borg (Chairman – appointed 7 December 2017)

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

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

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

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

Audit Committee

The Terms of Reference of the Audit Committee are modelled on the principles set out in the Listing Rules 5.117 – 5.134. The Audit Committee assists the Board in fulfilling its supervisory and monitoring responsibility by reviewing the group financial statements and disclosures, monitoring the system of internal control established by management as well as the audit processes.

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

Karl Fritz (Chairman)

John Trefor Price Roberts

Geoffrey Camilleri

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

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

The Audit Committee met four times during 2016 and twice during 2017. Communication with and between the Secretary, top level management and the Committee is ongoing and considerations that required the Committee's attention were acted upon between meetings and decided by the Members (where necessary) through electronic circulation and correspondence.

1923 Investments p.l.c. (formerly PTL Holdings p.l.c.)

Corporate governance statement (continued)

Internal Control

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

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

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

Corporate Social Responsibility

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

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

Relations with the market

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

1923 Investments p.l.c. (formerly PTL Holdings p.l.c.)

Corporate governance statement (continued)

Non-compliance with the code

Principle 7: Evaluation of the board's performance

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

Principle 8: Committees

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

Principle 10: Institutional shareholders

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

Approved by the Board of Directors and signed on its behalf 26 April 2018 by:



Charles Borg
Chairman



Stephen Kenneth Tarr
Director

1923 Investments p.l.c. (formerly PTL Holdings p.l.c.)

Other disclosures in terms of listing rules

Statement by the directors pursuant to Listing Rule 5.70.1

Contracts of significance

Loan agreements with subsidiaries and related parties

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

Rental agreements with related parties

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

Pursuant to Listing Rule 5.70.2


Company secretary and registered office

Karen Coppini
Nineteen Twenty-Three
Valletta Road
Marsa
Malta

Signed on behalf of the board of directors on 26 April 2018 by:



Charles Borg
Chairman



Stephen Kenneth Tarr
Director

1923 Investments p.l.c. (formerly PTL Holdings p.l.c.)

Statements of profit or loss and other comprehensive income

Year ended 31 December 2017

	Notes	Group 2017 Eur	Group 2016 Eur	Holding company 2017 Eur	Holding company 2016 Eur
Continuing operations					
Revenue	7	97,535,475	86,421,325	420,000	420,000
Cost of sales		(89,280,698)	(79,437,458)	-	-
Gross profit		8,254,777	6,983,867	420,000	420,000
Other operating income		10,686	394,048	-	-
Administrative expenses		(6,127,004)	(4,645,422)	(310,552)	(120,954)
Operating profit		2,138,459	2,732,493	109,448	299,046
Investment income	8	508,984	21,096	2,934,203	1,323,583
Finance costs	9	(2,701,368)	(2,736,993)	(1,999,281)	(2,027,540)
Other income	30	218,957	-	-	-
Loss on disposal of associate	18	(253,438)	-	-	-
Share of profit in associates	18	-	38,283	-	-
Share of profit/(loss) in joint ventures	18	22,240	(42,898)	-	-
(Loss)/Profit before tax	10	(66,166)	11,981	1,044,370	(404,911)
Income tax expense	13	(608,331)	(530,641)	(64,609)	(76,369)
(Loss)/Profit for the year from continuing operations		(674,497)	(518,660)	979,761	(481,280)
Discontinued operation					
Loss for the year from discontinued operations	37	(4,988)	(233,333)	-	-
(Loss)/Profit for the year		(679,485)	(751,993)	979,761	(481,280)
Other comprehensive income (expense)					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		2,190,639	(1,065,171)		
Total comprehensive income/(expense)		1,511,154	(1,817,164)		
<i>Loss attributable to:</i>					
Owners of the company		(680,323)	(750,671)		
Non-controlling interests		838	(1,322)		
		679,485	(751,993)		
<i>Total comprehensive income/(expense) attributable to:</i>					
Owners of the company		1,510,316	(1,815,842)		
Non-controlling interests		838	(1,322)		
		1,511,154	(1,817,164)		

1923 Investments p.l.c. (formerly PTL Holdings p.l.c.)

Statements of financial position

31 December 2017

		Group	Group	Holding	Holding
		2017	2016	company	company
	Notes	Eur	Eur	2017	2016
				Eur	Eur
ASSETS AND LIABILITIES					
Non-current assets					
Goodwill	15	56,001,331	28,606,957	-	-
Intangible assets	16	12,724,382	11,534,011	-	-
Property, plant and equipment	17	7,874,394	5,056,477	-	-
Investments in subsidiaries	18	-	-	67,681,246	42,135,656
Investment in associates	18	133,357	383,487	-	-
Investment in joint venture	18	1,036,122	17,813	-	-
Other investments	18	50,000	-	-	-
Loans and receivables	18	6,476,110	379,736	2,039,444	100,000
Deferred tax assets	24	1,100,910	829,408	-	-
		<u>85,396,606</u>	<u>46,807,889</u>	<u>69,720,690</u>	<u>42,235,656</u>
Current assets					
Inventories	19	12,409,219	8,783,812	-	-
Loans and receivables	18	732,378	1,777,156	2,407,684	2,024,635
Trade and other receivables	20	15,669,804	10,133,007	301,489	996,552
Cash and cash equivalents	29	3,231,078	3,893,245	198,917	199,879
Current tax assets		1,051,271	315,863	261,503	-
		<u>33,093,750</u>	<u>24,903,083</u>	<u>3,169,593</u>	<u>3,221,066</u>
Total assets		<u>118,490,356</u>	<u>71,710,972</u>	<u>72,890,283</u>	<u>45,456,722</u>
Current liabilities					
Trade and other payables	21	26,136,896	19,431,491	610,461	458,489
Other financial liabilities	23	405,422	2,489,107	192,965	1,391,733
Bank overdraft and loans	22	6,009,619	2,095,867	-	-
Current tax liabilities		556,349	193,934	-	64,155
		<u>33,108,286</u>	<u>24,210,399</u>	<u>803,426</u>	<u>1,914,377</u>
Non-current liabilities					
Debt securities in issue	25	35,434,649	35,353,742	35,434,649	35,353,742
Other payables	21	1,076,391	461,008	-	-
Other financial liabilities	23	8,395,800	-	177,675	-
Bank loans	22	5,755,339	6,284,301	-	-
Deferred tax liabilities	24	1,009,067	650,498	-	-
		<u>51,671,246</u>	<u>42,749,549</u>	<u>35,612,324</u>	<u>35,353,742</u>
Total liabilities		<u>84,779,532</u>	<u>66,959,948</u>	<u>36,415,750</u>	<u>37,268,119</u>
Net assets		<u>33,710,824</u>	<u>4,751,024</u>	<u>36,474,533</u>	<u>8,188,603</u>

1923 Investments p.l.c. (formerly PTL Holdings p.l.c.)

Statements of financial position (continued)

31 December 2017

		Group	Group	Holding	Holding
		2017	2016	company	company
	Notes	Eur	Eur	2017	2016
				Eur	Eur
EQUITY					
Share capital	26	35,575,000	8,399,724	35,575,000	8,399,724
Other equity	27	(4,765,472)	(3,121,365)	130,893	-
Exchange reserve	28	1,214,668	(975,971)	-	-
(Accumulated losses)/Retained earnings		1,656,380	448,036	768,640	(211,121)
Equity attributable to owners of the company		33,680,576	4,750,424	36,474,533	8,188,603
Non-controlling interests		30,248	600	-	-
Total equity		33,710,824	4,751,024	36,474,533	8,188,603

These financial statements were approved by the board of directors, authorised for issue on 26 April 2018 and signed on its behalf by:


Charles Borg
 Chairman


Stephen Kenneth Tarr
 Director

1923 Investments p.l.c. (formerly PTL Holdings p.l.c.)

Statement of changes in equity – Group

Year ended 31 December 2017

	Share capital	Other equity	Exchange reserve	Retained earnings	Attributable to equity holders of the parent	Non-controlling interests	Total
	Eur	Eur	Eur	Eur	Eur	Eur	Eur
Balance as at 1 January 2016	8,399,724	(1,367,314)	89,200	(555,344)	6,566,266	25,374	6,591,640
Loss for the year	-	-	-	(750,671)	(750,671)	(1,322)	(751,993)
Other comprehensive expense for the year	-	-	(1,065,171)	-	(1,065,171)	-	(1,065,171)
Total comprehensive expense for the year	-	-	(1,065,171)	(750,671)	(1,815,842)	(1,322)	(1,817,164)
Acquisition of full ownership in subsidiary	-	-	-	-	-	-	-
Other movements in equity (note 27)	-	(1,754,051)	-	1,754,051	-	(23,452)	(23,452)
Balance as at 1 January 2017	8,399,724	(3,121,365)	(975,971)	448,036	4,750,424	600	4,751,024
Loss for the year	-	-	-	(680,323)	(680,323)	838	(679,485)
Other comprehensive income for the year	-	-	2,190,639	-	2,190,639	-	2,190,639
Total comprehensive profit for the year	-	-	2,190,639	(680,323)	1,510,316	838	1,511,154
Capitalisation of loans	27,175,276	-	-	-	27,175,276	-	27,175,276
Disposal of associate	-	300,000	-	(183,487)	116,513	(600)	115,913
Disposal of subsidiary	-	-	-	(2,846)	(2,846)	-	(2,846)
Disposal of shares in subsidiary (note 11)	-	-	-	-	-	29,410	29,410
Other movements in equity (note 27)	-	(2,075,000)	-	2,075,000	-	-	-
Value of services provided by officer of the group (note 11)	-	130,893	-	-	130,893	-	130,893
Balance as at 31 December 2017	35,575,000	(4,765,472)	1,214,668	1,656,380	33,680,576	30,248	33,710,824

1923 Investments p.l.c. (formerly PTL Holdings p.l.c.)

Statement of changes in equity – Holding company

Year ended 31 December 2017

	Share capital Eur	Other equity Eur	Retained earnings Eur	Total Eur
Balance as at 1 January 2016	8,399,724	-	270,159	8,669,883
Loss for the year	-	-	(481,280)	(481,280)
Balance as at 1 January 2017	8,399,724	-	(211,121)	8,188,603
Capitalisation of loans	27,175,276	-	-	27,175,276
Value of services provided by officer of the group (note 11)	-	130,893	-	130,893
Profit for the year	-	-	979,761	979,761
Balance at 31 December 2017	35,575,000	130,893	768,640	36,474,533

1923 Investments p.l.c. (formerly PTL Holdings p.l.c.)

Statements of cash flows

Year ended 31 December 2017

	Group 2017 Eur	Group 2016 Eur	Holding company 2017 Eur	Holding company 2016 Eur
Cash flows from operating activities				
(Loss)/Profit before tax	(66,166)	11,981	1,044,370	(404,911)
<i>Adjustments for:</i>				
Depreciation and amortisation	1,794,763	1,588,256	-	-
Exchange differences	(117,840)	266,714	-	-
Bad debts written off	160,194	83,770	-	-
Goodwill written off	31,726	-	-	-
Negative goodwill written off	(218,957)	-	-	-
Impairment losses on intangible assets	86,556	-	-	-
Bond amortisation costs	80,907	81,009	80,907	81,009
Movement in provision for doubtful debts	(8,331)	(49,290)	-	-
Other interest income	(87,399)	(21,096)	-	-
Related party interest income	(95,514)	-	-	-
Share of profit of associated undertakings	-	(38,283)	-	-
Loss on disposal of associate	253,438	-	-	-
Loss on disposal of intangibles and property, plant and equipment	206,469	-	-	-
Share of (profit)/losses in joint ventures	(22,240)	42,898	-	-
Provision for losses on joint ventures	211,585	-	-	-
Value of services provided by an officer of the group	160,303	-	-	-
Stock written off provisions	172,550	11,427	-	-
Interest payable	2,620,461	2,655,985	1,918,374	1,946,531
Dividends receivable	-	-	(2,823,531)	-
Interest income	-	-	(110,672)	(1,323,583)
Operating profit before working capital movements	5,162,505	4,633,371	109,448	299,046
Movement in inventories	(3,333,634)	488,588	-	-
Movement in trade and other receivables	(13,468)	(971,434)	695,063	(396,552)
Movement in trade and other payables	1,348,117	1,308,280	153,635	255,932
Cash flows from operations	3,163,520	5,458,805	958,146	158,426
Interest paid	(2,620,461)	(2,655,985)	(1,860,069)	(1,679,847)
Taxation paid	(974,458)	(613,221)	(64,155)	-
Tax refunded	69,388	-	-	-
Net cash flows from continuing operations	(362,011)	2,189,599	(966,078)	(1,521,421)
Net cash used in discontinued operations	(4,988)	(188,349)	-	-
Net cashflows (used in)/from operating activities	(366,999)	2,001,250	(966,078)	(1,521,421)

1923 Investments p.l.c. (formerly PTL Holdings p.l.c.)

Statements of cash flows (continued)

Year ended 31 December 2017

	Group 2017 Eur	Group 2016 Eur	Holding company 2017 Eur	Holding company 2016 Eur
Cash flows from investing activities				
Payments to acquire property, plant and equipment	(2,182,716)	(2,148,555)	-	-
Payments to acquire intangible assets	(553,501)	(254,040)	-	-
Proceeds from sale of property, plant and equipment	134,667	145,678	-	-
Interest received	87,399	21,096	-	-
Cash and cash equivalents taken over upon acquisition of subsidiaries (note 30)	747,035	32,655	-	-
Payments from related companies	2,259,289	3,048,571	965,116	1,717,096
Payments to acquire other investments	(50,000)	-	-	-
Dividends received from associates	211,946	-	-	-
Net cash flows generated from investing activities	<u>654,119</u>	<u>845,405</u>	<u>965,116</u>	<u>1,717,096</u>
Cash flows from financing activities				
Repayment of bank loans	(1,336,036)	(1,698,544)	-	-
Amounts received from a third party	6,000,000	-	-	-
Amounts advanced to ultimate parent company	(6,000,000)	-	-	-
Net cash flows (used in)/from financing activities	<u>(1,336,036)</u>	<u>(1,698,544)</u>	<u>-</u>	<u>-</u>
Net movement in cash and cash equivalents	<u>(1,048,916)</u>	<u>1,148,111</u>	<u>(962)</u>	<u>195,675</u>
Cash and cash equivalents at the beginning of the period	<u>3,157,799</u>	<u>2,009,688</u>	<u>199,879</u>	<u>4,204</u>
Cash and cash equivalents at the end of the period (note 29)	<u><u>2,108,883</u></u>	<u><u>3,157,799</u></u>	<u><u>198,917</u></u>	<u><u>199,879</u></u>

1923 Investments p.l.c. (formerly PTL Holdings p.l.c.)

Notes to the financial statements

31 December 2017

1. Corporate Information

The company is a public company whose bonds are publicly listed and traded on the Malta Stock Exchange. The Company's registration number is C63261, the country of incorporation is Malta and the Company's registered office is Nineteen Twenty Three, Valletta Road, Marsa, Malta. The principal activities of the Company are the sale and distribution of Apple Products as an Apple Premium Reseller, as well as the sale, maintenance and servicing of information technology solutions, security systems and provides electronic payment solutions. The company acts as an investment company and service provider to its subsidiary undertakings.

2. Basis of preparation

The financial statements have been prepared on the historical cost basis and in accordance with International Financial Reporting Standards as adopted by the EU. The significant accounting policies adopted are set out below.

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

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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

3. Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the holding company and entities controlled by the holding company. The company controls an investee when the company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Acquisition of entities and businesses under common control

The acquisition of subsidiaries under common control is accounted for under the principles of predecessor accounting as from the date these subsidiaries are acquired by the holding company's parent at their previous carrying amounts of assets and liabilities included in the consolidated

1923 Investments p.l.c. (formerly PTL Holdings p.l.c.)

Notes to the financial statements

31 December 2017

3. Significant accounting policies (continued)

Acquisition of entities and businesses under common control (continued)

financial statements of the company's parent. Differences on acquisition between the consideration given in exchange for the acquired entities and the amounts at which the assets and liabilities of the acquired are initially recognised are included within equity.

Acquisition of subsidiaries

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

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

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

Goodwill

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

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

Non-controlling interest

Non-controlling interests in the acquiree that are present ownership interests and entitle their shareholders to a proportionate share of the entity's net assets in the event of liquidation, may be initially measured either at the present ownership interests proportionate share in the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on an acquisition-by-acquisition basis. After initial recognition, non-controlling interests in the net assets consist of the amount of those interests at the date of the original business.

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Notes to the financial statements

31 December 2017

3. Significant accounting policies (continued)

Non-controlling interest (continued)

combination and the non-controlling interests' share of changes in equity since the date of the combination. Non-controlling interests in the net assets of consolidated subsidiaries are presented separately from the holding company's owners' equity therein. Non-controlling interests in the profit or loss and other comprehensive income of consolidated subsidiaries are also disclosed separately. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Investments in associates/joint ventures

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

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

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

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

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

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

1923 Investments p.l.c. (formerly PTL Holdings p.l.c.)

Notes to the financial statements

31 December 2017

3. Significant accounting policies (continued)

Investment in subsidiaries

A subsidiary is an entity that is controlled by the company. The company controls an investee when the company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The holding company accounts for its investment in subsidiaries on the basis of the direct equity interest and is stated at cost less any accumulated impairment losses. Dividends from the investment are recognised in profit or loss.

Property, plant and equipment

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

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

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

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

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Notes to the financial statements

31 December 2017

3. Significant accounting policies (continued)

Depreciation

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

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

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

Intangible assets

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

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

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

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

1923 Investments p.l.c. (formerly PTL Holdings p.l.c.)

Notes to the financial statements

31 December 2017

3. Significant accounting policies (continued)

Intangible assets (continued)

Patents and trademarks

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

Other financial instruments

Financial assets and financial liabilities are recognised on the group's balance sheet when the respective entities become party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially recognised at their fair value plus directly attributable transaction costs for all financial assets or financial liabilities not classified at fair value through profit or loss.

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when the group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or when the entity transfers the financial asset and the transfer qualifies for derecognition.

Financial liabilities are derecognised when they are extinguished. This occurs when the obligation specified in the contract is discharged, cancelled or expires.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

(i) Trade and other receivables

Trade and other receivables are classified with current assets and are stated at their nominal value unless the effect of discounting is material, in which case trade receivables are measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

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Notes to the financial statements

31 December 2017

3. Significant accounting policies (continued)

Other financial instruments (continued)

(ii) Other investments

The group's other investments are classified into the following category – loans and receivables. The classification depends on the purpose for which the investments were acquired.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that are held for trading or are designated upon initial recognition as at fair value through profit or loss or as available-for-sale financial assets or those for which the company may not recover substantially all of its initial investment other than because of credit deterioration.

After initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the financial asset is derecognised or impaired and through the amortisation process.

(iii) Bank borrowings

Subsequent to initial recognition, interest-bearing bank loans are measured at amortised cost using the effective interest method. Bank loans are carried at face value due to their market rate of interest. Subsequent to initial recognition, interest-bearing bank overdrafts are carried at face value in view of their short-term maturities.

(iv) Other borrowings

Subsequent to initial recognition, other borrowings are measured at amortised cost using the effective interest method unless the effect of discounting is immaterial.

(v) Trade and other payables

Trade and other payables are classified with current liabilities and are stated at their nominal value unless the effect of discounting is material, in which case trade payables are measured at amortised cost using the effective interest method.

(vi) Shares issued by the company

Ordinary shares issued by the company are classified as equity instruments.

1923 Investments p.l.c. (formerly PTL Holdings p.l.c.)

Notes to the financial statements

31 December 2017

3. Significant accounting policies (continued)

Other financial instruments (continued)

(vi) Shares issued by the company (continued)

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

Inventories

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

Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Provisions are not recognised for future operating losses.

Impairment

At the end of each reporting period, the carrying amount of assets is reviewed to determine whether there is any indication or objective evidence of impairment, as appropriate, and if any such indication or objective evidence exists, the recoverable amount of the asset is estimated.

Intangible assets with an indefinite useful life and intangible assets that are not yet available for use are tested for impairment annually, irrespective of whether an indication of impairment exists.

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Notes to the financial statements

31 December 2017

3. Significant accounting policies (continued)

Impairment (continued)

Goodwill arising on associates/joint ventures accounted for using the equity method is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Goodwill arising on the acquisition of subsidiaries is tested for impairment annually and whenever there is an indication of impairment.

In the case of financial assets that are carried at amortised cost, objective evidence of impairment includes observable data about the following loss events – significant financial difficulty of the issuer (or counterparty) or a breach of contract or it becoming probable that the borrower will enter bankruptcy or other financial reorganisation or the company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the company would not otherwise consider.

An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

For loans and receivables, if there is objective evidence that an impairment loss has been incurred, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced directly.

In the case of other assets tested for impairment, the recoverable amount is the higher of fair value (which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date) less costs of disposal and value in use (which is the present value of the future cash flows expected to be derived, discounted using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset). Where the recoverable amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount, as calculated.

Where it is not possible to estimate the recoverable amount of an individual asset, then the recoverable amount of the cash-generating unit to which the asset belongs is determined. For cash-generating units, where the recoverable amount is less than the carrying amount, the carrying amount of the assets of the unit is reduced first to reduce the carrying amount of any goodwill allocated, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

Impairment losses are recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which case, the impairment loss is recognised in other comprehensive income to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that asset.

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Notes to the financial statements

31 December 2017

3. Significant accounting policies (continued)

Impairment (continued)

For loans and receivables, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly.

In the case of other assets tested for impairment, an impairment loss recognised in a prior year is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

An impairment loss recognised for goodwill is not reversed in a subsequent period, except for changes to goodwill resulting from currency fluctuations.

Impairment reversals are recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which case, the impairment reversal is recognised directly other comprehensive income and increases the revaluation surplus for that asset, unless an impairment loss on the same asset was previously recognised in profit or loss.

For a cash-generating unit, the carrying amount is not increased above the lower of its recoverable amount (if determinable) and the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit, except for goodwill.

In addition to the above loss events, objective evidence of impairment for an investment in an equity instrument includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods sold and services provided in the normal course of business, net of value-added tax and discounts, where applicable. Revenue is recognised to the extent that it is probable that future economic benefits will flow to the company and these can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

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Notes to the financial statements

31 December 2017

3. Significant accounting policies (continued)

Revenue recognition (continued)

(i) Sale of goods

Revenue from the sale of goods is recognised on the transfer of the risks and rewards of ownership, which generally coincides with the time of shipment, when the costs incurred or to be incurred in respect of the transaction can be measured reliably and when the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

(ii) Provision of services

Revenue from the provision of services is recognised in the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. For practical purposes, when services are performed by an indeterminate number of acts over a specified period of time, revenue is recognised on a straight-line basis over the specified period unless there is evidence that some other method better represents the stage of completion.

(iii) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount.

Borrowing costs

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

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Notes to the financial statements

31 December 2017

3. Significant accounting policies (continued)

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership to the lessee.

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 provision of the lease.

Rentals payable under operating leases, less the aggregate benefit of incentives received from the lessor, are recognised as an expense in profit or loss 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.

Taxation

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

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

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

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

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

1923 Investments p.l.c. (formerly PTL Holdings p.l.c.)

Notes to the financial statements

31 December 2017

3. Significant accounting policies (continued)

Taxation (continued)

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

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

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

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

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

Employee benefits

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

Share-based payments

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

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

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

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3. Significant accounting policies (continued)

Currency translation

The financial statements of the company and the group are presented in the company's functional currency, the Euro, being the currency of the primary economic environment in which the company operates. Transactions denominated in currencies other than the functional currency are translated at the exchange rates ruling on the date of transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are re-translated to the functional currency at the exchange rate ruling at period-end. Exchange differences arising on the settlement and on the re-translation of monetary items are dealt with in profit or loss. Non-monetary assets and liabilities denominated in currencies other than the functional currency that are measured at fair value are re-translated using the exchange rate ruling on the date the fair value was determined. Non-monetary assets and liabilities denominated in currencies other than the functional currency that are measured in terms of historical cost are not re-translated. Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period, except for differences arising on the re-translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

Foreign exchange gains and losses are classified with other operating income or other operating expenses as appropriate, except in the case of significant exchange differences arising on investing or financing activities, which are classified within investment income, investment losses or finance costs as appropriate.

For the purpose of presenting consolidated financial statements, income and expenses of the group's foreign operations are translated to Euro at the average exchange rates. Assets and liabilities of the group's foreign operations are translated to Euro at the exchange rate ruling at the date of the statement of financial position. Exchange differences are recognised in other comprehensive income accumulated in a separate component of equity. Such differences are reclassified from equity to profit or loss in the period in which the foreign operation is disposed of.

Cash and cash equivalents

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

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3. Significant accounting policies (continued)

Dividends

Dividends to holders of equity instruments are recognised as liabilities in the period in which they are declared. Dividends to holders of equity instruments are recognised directly in equity.

Discontinued Operations

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

4. Judgements in applying accounting policies and key sources of estimation uncertainty

In the process of applying the group's and company's accounting policies, management has made no judgements which can significantly affect the amounts recognised in the financial statements and, at the end of the reporting period, there were no key assumptions concerning the future, or any other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:

The group reviews property, plant and equipment, investments and loans and receivables, including trade receivables and intangible assets with a finite useful life, to evaluate whether events or changes in circumstances indicate that the carrying amounts may not be recoverable. The company reviews investments in subsidiaries, and loans and receivables from subsidiaries to evaluate whether events or changes in circumstances indicate that the carrying amounts may not be recoverable. At the period-end there was no objective evidence of impairment in this respect.

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

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

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4. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

At 31 December 2017, goodwill was allocated as follows:

- *Eur22,833,011 (2016 – Eur21,081,743)* to the polish subsidiary SAD SP. Z.O.O. which operates the Apple Premium Reseller Business.
- *Eur3,357,248 (2016 - Eur3,357,248)* to APCO Systems Limited which operates the electronic payment gateway.
- *Eur2,671,762 (2016 – Eur2,671,763)* to APCO Limited which operates in the business of selling and maintenance of IT solutions and security systems.
- *Eur1,464,476 (2016 - Eur1,496,203)* to PTL Limited business.
- *Eur25,674,834 (2016 – Eur nil)* to Hili Logistics Group business

In the current year, the group acquired Hili Logistics Group. As a result of this acquisition, goodwill amounting to *Eur25,674,834* was generated.

CGU – Retail and IT Solutions (Poland)

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

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

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

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

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4. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

CGU – Payment Processing Services

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

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

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

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

CGU – IT Solutions and Security Systems

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

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

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

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

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CGU – Hili Logistics Group

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

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

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

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

Following the above assessment, the directors recognised an impairment loss of *Eur2,000,000*. The directors expect the carrying amount of investments in subsidiaries and associates and the carrying amount of goodwill to be recoverable.

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5. Changes in accounting policies

The group and the company have not adopted any new standards or amendments that have a significant impact on the company's results or financial position.

At the date of authorisation of these financial statements, several new but not yet effective standards, amendments to existing standards and interpretations, have been published by the IASB. These standards, amendments or interpretations have not been adopted early by the company.

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

IFRS 9 'Financial Instruments' (2014)

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

IFRS 9 also contains new requirements on the application of hedge accounting. The new requirements look to align hedge accounting more closely with entities' risk management activities by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assessing hedge effectiveness.

Management has identified the following areas that are expected to be most impacted by the application of IFRS 9:

- the impairment of financial assets applying the expected credit loss model. This will apply to the company's trade receivables. For contract assets arising from trade receivables, the company applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing component.
- the recognition of gains and losses arising from the company's own credit risk. If the company continues to elect the fair value option for certain financial liabilities, fair value movements from changes in the company's own credit risk will be presented in other comprehensive income rather than profit or loss.

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5. Changes in accounting policies - continued

IFRS 15 'Revenue from contracts with customers'

IFRS 15 'Revenue from Contracts with Customers' and the related 'Clarifications to IFRS 15 Revenue from Contracts with Customers' (hereinafter referred to as 'IFRS 15') replace IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. IFRS 15 is only mandatory for annual reporting periods beginning on or after 1 January 2018. The standard has not been adopted early by the company and management is currently assessing the impact of IFRS 15, but is not yet in a position to provide quantified information.

The new standard establishes a control based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

IFRS 16 'Leases'

IFRS 16 will replace IAS 17 'Leases' and three related Interpretations. It completes the IASB's long-running project to overhaul lease accounting. Leases will be recorded in the statement of financial position in the form of a right-of-use asset and a lease liability

IFRS 16 is effective from periods beginning on or after 1 January 2019. Management is yet to fully assess the impact of the Standard and therefore is unable to provide quantified information. However, in order to determine the impact, the company is in the process of:

- performing a full review of all agreements to assess whether any additional contracts will become lease contracts under IFRS 16's new definition of a lease
- deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices.
- assessing their current disclosures for finance leases and operating leases as these are likely to form the basis of the amounts to be capitalised as right-of-use assets.
- determining which optional accounting simplifications are available and whether to apply them.
- assessing the additional disclosures that will be required.

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6. Segment information

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

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

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

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

In 2016, the group did not have any clients which individually represented 10% or more of the total revenue of the group (2015: one major customer in Poland and the revenue from this customer amounted to *Eur18,690,253* which represented 14.5% of the total revenue of the group).

As at the end of the reporting period the total amount of intangible assets and property, plant and equipment in amounted to *Eur12,724,382* (2016 – *Eur11,543,011*) and *Eur7,874,394* (2016 – *Eur5,056,476*) respectively.

Measurement of operating segment profit or loss, assets and liabilities

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

The accounting policies of the reportable segments are the same as the group's accounting policies described in note 3.

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6. Segment information (continued)

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

Profit and loss before tax from continuing operations

	2017 Eur	2016 Eur
Total profit for reportable segments	2,381,316	2,322,128
Elimination of inter-segment loss	-	-
Unallocated amounts:		
Interest expense	(2,265,164)	(2,155,403)
Other unallocated amounts	(182,318)	(154,744)
	<u>(66,166)</u>	<u>11,981</u>
	=====	=====

Assets

	2017 Eur	2016 Eur
Total assets for reportable segments	81,961,767	38,608,807
Elimination of receivables	(49,352,974)	(30,784,070)
Unallocated amounts:		
Property, plant and equipment	31,486	34,574
Goodwill	56,273,148	28,606,957
Intangible assets	12,559,588	11,425,441
Loans and receivables	27,547,732	22,969,708
Cash and cash equivalents	247,418	219,747
Other unallocated amounts	(10,505,994)	629,809
	<u>118,490,356</u>	<u>71,710,973</u>
	=====	=====

Liabilities

	2017 Eur	2016 Eur
Total liabilities for reportable segments	52,957,565	31,559,408
Elimination of liabilities	(49,352,974)	(30,714,988)
Unallocated amounts:		
Bank Loans	10,642,762	7,644,722
Debt securities in issue	35,434,649	35,353,742
Trade and other payables	35,271,531	22,738,864
Other unallocated amounts	(174,001)	378,201
	<u>84,779,532</u>	<u>66,959,949</u>
	=====	=====

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6. Segment information (continued)

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

	Retail and IT Solutions (Poland and Romania)		Payment processing services		IT solutions and security systems		Hili Logistics		Total		Unallocated		Eliminations and adjustments		Consolidated	
	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017
	Eur		Eur		Eur		Eur		Eur		Eur		Eur		Eur	
Revenue	84,448,504		2,524,089		12,140,126		-		99,112,719		1,547,860		(3,125,104)		97,535,475	
Profit before tax	985,629		1,007,584		388,103		-		2,381,316		11,432,775		(13,747,925)		(66,166)	
Depreciation and amortisation	1,578,913		17,780		89,467		-		1,686,160		182,254		(73,651)		1,794,763	
Segment assets	36,486,276		2,052,679		7,155,451		36,267,361		81,961,767		188,972,327		(152,443,738)		118,490,356	
Capital expenditure	2,630,349		9,694		90,313		4,363,279		7,093,635		5,861		-		7,099,496	
Segment liabilities	35,187,246		656,447		6,640,468		10,473,404		52,957,565		81,174,506		(49,352,539)		84,779,532	
Income tax expense	310,616		355,875		88,087		-		754,578		507,072		(653,319)		608,331	

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6. Segment information (continued)

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

	Retail and IT Solutions (Poland and Romania) 2016 Eur	Payment processing services 2016 Eur	IT solutions and security systems 2016 Eur	Total 2016 Eur	Unallocated 2016 Eur	Eliminations and adjustments 2016 Eur	Consolidated 2016 Eur
Revenue	76,222,703	1,665,539	10,085,530	87,973,772	3,627	(1,556,074)	86,421,325
Profit before tax	1,715,474	496,310	110,344	2,322,128	3,667,008	(5,977,155)	11,981
Depreciation and amortisation	1,344,555	19,330	188,530	1,552,415	148,844	(113,003)	1,588,255
Segment assets	29,841,510	2,354,252	6,413,045	38,608,807	141,424,782	(108,322,616)	71,710,972
Capital expenditure	2,323,673	6,650	81,283	2,411,606	198,757	-	2,610,363
Segment liabilities	24,421,092	1,234,533	5,903,783	31,559,408	66,643,003	(31,242,462)	66,959,948
Income tax expense	447,225	198,538	(54,571)	591,192	178,576	(239,127)	530,641

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7. Revenue

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

	Group 2017 Eur	Group 2016 Eur	Holding company 2017 Eur	Holding company 2016 Eur
<i>By activity:</i>				
Sale of goods	90,226,608	80,189,748	-	-
Rendering of services	1,657,916	1,559,887	-	-
Maintenance and support	3,122,962	3,006,151	-	-
Payment gateway services	2,524,089	1,665,539	-	-
Licenses	3,900	-	-	-
Management fees	-	-	420,000	420,000
	97,535,475	86,421,325	420,000	420,000

8. Investment income

	Group 2017 Eur	Group 2016 Eur	Holding company 2017 Eur	Holding company 2016 Eur
Other interest income	87,399	21,079	-	-
Intra group interest income	95,514	-	110,672	1,323,583
Dividends from subsidiaries	-	-	2,823,531	-
Dividends from associate	326,071	-	-	-
Bank interest	-	17	-	-
	508,984	21,096	2,934,203	1,323,583

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9. Finance costs

	Group 2017 Eur	Group 2016 Eur	Holding company 2017 Eur	Holding company 2016 Eur
Interest on bank loan	505,297	505,105	-	-
Interest on bond	1,836,000	1,836,000	1,836,000	1,836,000
Other interest payable	-	59,387	22,406	110,531
Intra group interest payable	45,129	-	59,968	
Other finance costs	234,035	255,492	-	
Amortisation of bond issue costs	80,907	81,009	80,907	81,009
	2,701,368	2,736,993	1,999,281	2,027,540

10. Profit/(loss) before tax

	Group 2017 Eur	Group 2016 Eur	Holding company 2017 Eur	Holding company 2016 Eur
<i>This is stated after crediting/ charging:</i>				
Depreciation and amortisation	1,794,763	1,588,255	-	-
Net exchange differences	(117,840)	266,714	-	-

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10. Profit/ (loss) before tax (continued)

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

Group

Total remuneration payable to the parent company's auditors in respect of the audit of the financial statements and the undertakings included in the consolidated financial statements amounted to *Eur57,000* (2016 – *Eur18,040*) and the remuneration payable to the other auditors in respect of the audits of the undertakings included in the consolidated financial statements amounted to *Eur42,000* (2016 – *Eur45,472*). Other fees payable to the parent company's auditors for non-audit services, namely tax services, amounted to *Eur7,600* (2016 – *Eur12,500*).

Holding company

Total remuneration payable to the parent company's auditors for the audit of the company's financial statements amounted to *Eur5,750* (2016 – *Eur6,600*). Other fees payable to the parent company's auditors for non-audit services other than other assurance services and tax advisory services amounted to *Eur Nil.* (2016 – *Nil*).

11. Key management personnel compensation

	Group 2017 Eur	Group 2016 Eur	Holding company 2017 Eur	Holding company 2016 Eur
Directors' compensation				
<i>Short-term benefits:</i>				
Fees	24,000	24,000	24,000	24,000
Management remuneration	276,984	242,059	-	-
Value of services provided by an officer of the group	160,303	-	-	-
	<u>461,287</u>	<u>266,059</u>	<u>24,000</u>	<u>24,000</u>
	=====	=====	=====	=====
<i>Other key management personnel compensation:</i>				
<i>Short-term benefits:</i>				
Salaries and social security contributions	468,374	590,807	-	-
	<u>468,374</u>	<u>590,807</u>	<u>-</u>	<u>-</u>
	=====	=====	=====	=====
<i>Total Key management personnel compensation:</i>				
Short-term benefits	929,661	856,866	24,000	24,000
	<u>929,661</u>	<u>856,866</u>	<u>24,000</u>	<u>24,000</u>
	=====	=====	=====	=====

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11. Key management personnel compensation (continued)

Share-based payments

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

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

Share options for the reporting period presented are as follows:

	Number of Share options
Granted in 2016	1,139,032
Shares transferred in 2016 and 2017	(29,410)
Outstanding at 31 December 2017	<u>1,109,622</u>

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

	Options vested in 2016
Grant date	24 October 2016
Volatility	0.39
Option life	8 years
Dividend yield	11.74%
Risk-free investment rate	3.3%
Fair value of the option at grant date(€)	€ 0.118
Exercise price at grant date (€)	€ 1.36
Exercisable from/to	24 October 2016/ 23 October 2024

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11. Key management personnel compensation (continued)

Share-based payments

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

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

Statements of profit or loss and other comprehensive income

	The Group		The Company	
	2017	2016	2017	2016
Administrative costs	160,303	-	-	-
	=====	=====	=====	=====

Statements of financial position

	The Group		The Company	
	2017	2016	2017	2016
Non-current assets				
Investment in subsidiary	-	-	(29,410)	-
Receivable from subsidiary	-	-	160,303	-
	=====	=====	=====	=====
Equity				
Non-controlling interest	(29,410)	-	-	-
Other reserves	(130,893)	-	(130,893)	-
	=====	=====	=====	=====

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12. Staff costs and employee information

	Group 2017 Eur	Group 2016 Eur	Holding company 2017 Eur	Holding company 2016 Eur
<i>Staff costs:</i>				
Wages and salaries	7,542,909	6,772,531	24,000	24,000
Social security costs	1,137,744	900,435	-	-
Maternity fund contributions	8,064	6,554		
	<u>8,688,717</u>	<u>7,679,520</u>	<u>24,000</u>	<u>24,000</u>
Recharges from related parties	289,437	16,042	10,500	16,042
Recharges to the ultimate parent	-	(97,339)	-	-
Recharges to related parties	(52,351)	(46,109)	-	-
	<u>8,925,803</u>	<u>7,552,114</u>	<u>34,500</u>	<u>40,042</u>
	=====	=====	=====	=====

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

Group	2017 Number	2016 Number
Operations	368	385
Administration	103	62
	<u>471</u>	<u>447</u>
	=====	=====

13. Income tax expense

	Group 2017 Eur	Group 2016 Eur	Holding Company 2017 Eur	Holding company 2016 Eur
Current tax expense	533,691	387,312	64,609	76,369
Deferred tax expense (note 24)	76,254	143,329	-	-
Prior year tax overprovision	(1,614)	-	-	-
	<u>608,331</u>	<u>530,641</u>	<u>64,609</u>	<u>76,369</u>
	=====	=====	=====	=====

1923 Investments p.l.c. (formerly PTL Holdings p.l.c.)

Notes to the financial statements

31 December 2017

13. Income tax expense (continued)

Tax applying the statutory domestic income tax rate and the income tax expense for the year/period are reconciled as follows:

	Group 2017 Eur	Group 2016 Eur	Holding company 2017 Eur	Holding company 2016 Eur
Profit/(loss) before tax	(66,166)	11,981	1,044,369	(404,912)
Tax at the applicable rate of 35%	(23,158)	4,193	365,529	(141,719)
Tax effect of:				
Different tax rates of subsidiaries operating in other jurisdictions	(233,158)	(290,874)	-	-
Deferred tax not recognised	165,061	18,563	-	-
Income not chargeable to tax	(52,385)	(118,069)	-	-
Deferred tax asset movement	20,708	29,279	-	-
Loss on discontinued operations	(1,746)	(81,666)	-	-
Disallowable expenses	708,322	899,273	(300,920)	218,088
Permanent differences	24,687	69,942	-	-
Income tax expense	608,331	530,641	64,609	76,369

14. Dividends

No dividend is being recommended in 2017 (2016: No dividend was recommended in 2016).

15. Goodwill

Group	Eur
At 01.01.2016	29,122,297
Amounts recognised from acquisition of subsidiaries in 2016	289,613
Effect of exchange differences on the retranslation of goodwill on foreign subsidiaries	(804,953)
At 31.12.2016	28,606,957
Amounts recognised from acquisition of subsidiaries in 2017 (note 30)	25,674,835
Goodwill written off in subsidiaries	(31,726)
Effect of exchange differences on the retranslation of goodwill on foreign subsidiaries	1,751,265
At 31.12.2017	56,001,331

1923 Investments p.l.c. (formerly PTL Holdings p.l.c.)

Notes to the financial statements

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15. Goodwill

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

16. Intangible assets

Group	Eur
Cost	
At 01.01.2016	12,107,586
Additions	262,721
Disposals	(26,847)
Effect of foreign exchange differences	(411,889)
At 01.01.2017	11,931,571
Additions	553,501
Acquired on acquisition of subsidiary (note 30)	5,844
Disposals	(518)
Impairment provision	(86,556)
Effect of foreign exchange differences	746,142
At 31.12.2017	13,149,984
Amortisation	
At 01.01.2016	277,122
Provision for the period	140,508
Released on disposal	(20,070)
At 01.01.2017	397,560
Provision for the year	66,454
Acquired on acquisition of subsidiary (note 30)	4,966
Released on disposal	(517)
Effect of foreign exchange differences	(42,861)
At 31.12.2017	425,602
Carrying amount	
At 31.12.2016	11,534,011
At 31.12.2017	12,724,382

1923 Investments p.l.c. (formerly PTL Holdings p.l.c.)

Notes to the financial statements

31 December 2017

16. Intangible assets (continued)

Group (continued)

The amortisation charge was included in administrative expenses.

Intangible assets include separately identified intangible assets acquired during 2014 as part of the business combinations amounting to *Eur12,000,000* which have been recognised separately from goodwill. In 2017, intangible assets were adjusted upwards by *Eur703,281* following an improvement of the Polish Zloty from prior year. In 2016, intangible assets were adjusted downwards by *Eur411,889* following a deterioration of the Polish Zloty from the date of acquisition to the balance sheet date.

These intangible assets relate to:

- SAD's Apple Premium Reseller operations operating under the brand iSpot together with related contracts – *Eur11,486,731* (2016: *Eur10,590,015*). The useful life of this asset is considered to be indefinite as there was no foreseeable limit to the period over which the asset is expected to generate net cash inflows. In arriving at this conclusion management considered such factors as the stability of the industry and changes in the demand for such products. This assessment is reassessed periodically.
- APCO's payment gateway system – *Eur1,000,000*. The useful life of this asset was considered to be finite due to possible technological obsolescence and is being amortised on a straight line basis. Until 31 December 2014, the Group was amortising the intangible asset over 3 years. Following the knowledge generated, the Group re-assessed the remaining useful life of the asset to be 10 years. Had the Company not-reassessed the remaining useful life, the additional amortisation for the years 2015, 2016 and 2017 would have amounted to *Eur233,000* annually more. The amortisation charge for the year is included within administrative expenses.

1923 Investments p.l.c. (formerly PTL Holdings p.l.c.)

Notes to the financial statements

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17. Property, plant and equipment									
Group									
		Improvements to premises	Equipment	Motor vehicles	Furniture, fixtures, and fittings	Total			
		Eur	Eur	Eur	Eur	Eur			
Cost or valuation									
At 01.01.2016									
Additions		2,786,648	2,068,339	478,668	2,615,965	7,949,620			
Acquired on business combination		755,113	514,921	102,646	896,465	2,269,145			
Effect of foreign currency exchange differences		-	78,497	-	-	78,497			
Disposals		(100,996)	(46,363)	(15,501)	(81,814)	(244,674)			
		(80,810)	(277,412)	(126,501)	(9,536)	(494,259)			
At 01.01.2017									
Additions		3,359,955	2,337,982	439,312	3,421,080	9,558,329			
Acquired on acquisition of subsidiary		444,420	947,891	-	790,405	2,182,716			
Effect of foreign currency exchange differences		2,421,002	823,936	110,203	1,002,294	4,357,435			
Disposals for the year		179,418	187,493	20,745	160,845	548,501			
		(34,572)	(597,513)	(193,219)	(36,478)	(861,782)			
At 31.12.2017		6,370,223	3,699,789	377,041	5,338,146	15,785,199			
Accumulated depreciation									
At 01.01.2016									
Provision for the year		862,923	1,233,797	214,386	1,215,663	3,526,769			
Effect of foreign currency exchange differences		429,171	443,137	82,733	492,706	1,447,747			
Released on disposal		(31,267)	(21,634)	(6,505)	(38,995)	(98,401)			
		(22,697)	(257,723)	(87,294)	(6,549)	(374,263)			
At 01.01.2017									
Provision for the year		1,238,130	1,397,577	203,320	1,662,825	4,501,852			
Effect of foreign currency exchange differences		572,504	504,326	64,869	586,610	1,728,309			
Released on disposal		66,092	147,770	8,826	79,267	301,955			
Acquired on acquisition of subsidiary		-	(364,791)	(140,426)	(15,430)	(520,647)			
		309,838	699,550	86,790	803,158	1,899,336			
At 31.12.2017		2,186,564	2,384,432	223,379	3,116,430	7,910,805			
Carrying amount									
At 31.12.2016		2,121,825	940,405	235,992	1,758,255	5,056,477			
At 31.12.2017		4,183,659	1,315,357	153,662	2,221,716	7,874,394			

1923 Investments p.l.c. (formerly PTL Holdings p.l.c.)

Notes to the financial statements

31 December 2017

18. Financial assets

Investments in subsidiaries, associates and joint ventures

Holding company

Carrying amount

	Investment in subsidiaries Eur
Carrying amount	
As at 1 January 2016	4,399,723
Additions during the period:	
Capitalisation of loans in subsidiaries	37,735,933
	<u>42,135,656</u>
As at 1 January 2017	42,135,656
Additions during the period:	
Disposal of shares in Harvest Technology Limited (note 11)	(29,410)
Acquisition of Hili Logistics Limited	25,575,000
	<u>67,681,246</u>
As at 31 December 2017	67,681,246

During 2016, the company capitalised loans amounting to Eur37,735,933 in its direct subsidiaries as follows:

	Eur
Harvest Technologies Limited (formerly PTL International Limited)	8,744,645
iSpot BV (formerly PTL BV)	28,991,288
	<u>37,735,933</u>
As at 31 December 2016	<u>37,735,933</u>

The above loans were granted to the subsidiaries by the company as part financing of the acquisitions of their respective subsidiaries.

On 18 December 2017 the company acquired Hili Logistics Limited from Hili Ventures Limited, at a consideration price of Eur25,575,000.

1923 Investments p.l.c. (formerly PTL Holdings p.l.c.)

Notes to the financial statements

31 December 2017

18. Financial assets (continued)

Group

Subsidiaries

Name of subsidiary	Place of incorporation and ownership	Proportion of ownership interest		Holding	Portion of voting power held		Principal activity
		2017 %	2016 %		2017 %	2016 %	
Harvest Technology Limited	Malta	100	100	Direct	100	100	Holding Company
iSpot Holdings B.V.	Netherlands	100	100	Direct	100	100	Holding Company
Hili Logistics Limited	Malta	100	100	Direct	100	100	Holding Company
PTL Limited	Malta	100	100	Indirect	100	100	Sale of IT solutions and security systems
APCO Limited	Malta	100	100	Indirect	100	100	Sale of IT solutions and security systems
APCO Systems Limited	Malta	100	100	Indirect	100	100	Sale of payment processing services
PTL Poland SP. Z O.O	Poland	100	100	Indirect	100	100	Holding Company
SAD SP. Z O.O	Poland	100	100	Indirect	100	100	Sale of retail and IT solutions
iSpot Premium Romania (formerly AlfaCapital s.r.l.)	Romania	100	100	Indirect	100	100	Sale of retail and IT solutions
Ipsyon Ltd	Malta	100	100	Indirect	100	100	Holding of intellectual property
Eunoia Ltd (formerly Newera Solutions Limited)	Malta	100	Nil	Indirect	100	Nil	Sale of software
Stride Technology Ltd	Malta	100	Nil	Indirect	100	Nil	Sale of software
Carmelo Caruana Company Limited	Malta	100	Nil	Indirect	100	Nil	Shipping agent and freight forwarder

1923 Investments p.l.c. (formerly PTL Holdings p.l.c.)

Notes to the financial statements

31 December 2017

18. Financial assets (continued)

Subsidiaries (continued)

Name of subsidiary	Place of incorporation and ownership	Proportion of ownership interest		Holding	Portion of voting power held		Principal activity
		2017 %	2016 %		2017 %	2016 %	
Carmelo Caruana Freeport Operations Limited	Malta	100	Nil	Indirect	100	Nil	Transshipment and storekeeping
Airsped Express Limited	Malta	100	Nil	Indirect	100	Nil	Parcel delivery service
Global Parcels Limited	Malta	100	Nil	Indirect	100	Nil	Parcel delivery service
Hili Company BV	Netherlands	100	Nil	Indirect	100	Nil	Holding company
STS Support Services BVI	British Virgin Islands	100	Nil	Indirect	100	Nil	Ship to ship services
Allcom Sp. z.o.o.	Poland	100	Nil	Indirect	100	Nil	Shipping and freight forwarding

1923 Investments p.l.c. (formerly PTL Holdings p.l.c.)

Notes to the financial statements

31 December 2017

18. Financial assets (continued)

Subsidiaries (continued)

Direct subsidiaries:

Name of subsidiary	Registered office	Capital and reserves as at 31 December		Profit/(Loss) for the year ended 31 December	
		2017 Eur	2016 Eur	2017 Eur	2016 Eur
Harvest Technology Limited	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta	11,500,024	11,949,028	550,996	(15,645)
iSpot Holdings B.V.	Atrium Building, 8th Floor, Strawunskylaan 3127, 1077 ZX, Amsterdam, The Netherlands	32,152,727	30,135,984	3,524,768	3,063,220
Hili Logistics Limited	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta	26,919,856	Not applicable	Not applicable	Not applicable

Indirect subsidiaries:

Name of subsidiary	Registered office
PTL Limited	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta
APCO Limited	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta
APCO Systems Limited	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta
PTL Poland SP. Z O.O	UL. Pulawska 2, 02-566 Warsaw, Poland
iSpot Premium Romania (formerly Alfa Capital s.r.l.)	1st District, 246 B Floreasca street, Shopping Centre Promenada, first floor Unit no. 1F-055, Bucharest, Romania
SAD SP. Z O.O	UL. Pulawska 2, 02-566 Warsaw, Poland
Ipsyon Ltd	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta
Eunoia Ltd	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta
Stride Technology Ltd	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta
Carmelo Caruana Company Limited	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta
Carmelo Caruana Freeport Operations Limited	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta
Airsped Express Limited	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta
Global Parcels Limited	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta
Hili Company BV	Schipol Boulevard 231, 1118 BH Amsterdam Schipol, Netherlands
STS Support Services BVI	Patton, Moreno & Asvat (BVI) Limited, Palm Chambers, 197 Main Street, P.O. Box 3174, Road Town Tortola, British Virgin Islands
Allcom Sp. z o.o.	ul. Mariacka 9, 81-383 Gdynia, Poland

1923 Investments p.l.c. (formerly PTL Holdings p.l.c.)

Notes to the financial statements

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18. *Investment in associates*

The investment in the associates is indirectly owned through Hili Logistics Limited. The registered office of the associates is Nineteen Twenty-Three, Valletta Road, Marsa, Malta.

	Proportion of ownership interest		Capital and reserves as at 31 December		Profit/(Loss) for the year ended 31 December	
	2017	2016 %	2017 Eur	2016 Eur	2017 Eur	2016 Eur
CMA CGM Agency Malta Limited	49	Nil	256,352	-	178,188	-
Peterson Malta Limited	50	Nil	15,490	-	(886)	-

The net accumulated interest in the net assets of CMA CGM Agency Malta Limited and Peterson Malta Limited amount to Eur125,612 and Eur7,745 respectively, totaling Eur133,357 as at 31 December 2017.

The investment in the associate (Smart Technology Limited) that was indirectly owned by Harvest Technology Limited was disposed of during the year. The percentage holding and other details of this previously held associate is shown below.

	Proportion of ownership interest		Capital and reserves as at 31 December		Profit/(Loss) for the year ended 31 December	
	2017	2016 %	2017 Eur	2016 Eur	2017 Eur	2016 Eur
Smart Technologies Limited	Nil	33	Nil	797,417	Nil	206,131

The loss on sale of Smart Technology Limited amounted to Eur253,438. The net accumulated interest in the net assets of Smart Technologies Limited amount to Eur Nil (2016: Eur383,487). The share of profits of Smart Technology Limited at the end of this year amounted to Eur Nil (2016: Eur38,283).

1923 Investments p.l.c. (formerly PTL Holdings p.l.c.)

Notes to the financial statements

31 December 2017

18. Financial assets (continued)

Investment in joint ventures

The investments Hili Salomone Company Limited and Poang are indirectly owned through Harvest Technology Limited Limited. The registered office of these entities is Nineteen Twenty-Three, Valletta Road, Marsa, Malta.

On 23 March 2017, Harvest Technology Limited acquired 50% of the share capital of Poang Limited, a company focusing on software application development. The registered office of Poang Ltd is Nineteen Twenty-Three, Valletta Road, Marsa, Malta.

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

The group also holds a joint venture indirectly through iSpot Holdings BV, which exercise 50% control over iCentre Hungary Kft. The registered office of iCentre Hungary Kft is Bécsi út 77-79, 1036 Budapest, Hungary.

	Proportion of ownership interest		Capital and reserves as at 31 December		Profit/(Loss) for the year ended 31 December	
			2017	2016	2017	2016
	2017 and 2016 %		Eur	Eur	Eur	Eur
Hili Salomone Limited	50	50	(3,200)	(3,200)	-	(30)
Poang	50	Nil	211,991	-	(189,209)	-
iCentre Hungary Kft	50	50	605,659	370,918	233,688	144,346
Alfa Capital BV	-	50	-	(165,528)	-	(13,956)
iSpot Premium Romania (formerly Alfa Capital s.r.l.)	100	50	-	(579,230)	-	(216,186)

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

	2017 Eur	2016 Eur
Carrying asset amount	1,036,122	17,813
Carrying liability amount	-	-
Group's s share of total profit/ total comprehensive income.	116,844	72,173
Group's s share of total expense/ total comprehensive loss.	(94,604)	(115,071)

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Notes to the financial statements

31 December 2017

18. Financial assets (continued)

Investment in joint ventures

Included in the investment in joint ventures, is an investment of Eur730,726 pertaining to the investment in iCentre Hungary Kft. A summary of the financial information of this joint venture is set out below:

	2017 Eur
Current assets	2,276,930
Non-current assets	805,810
Current liabilities	2,477,081
Net assets	605,659
Revenue	12,188,844
Expenses	11,944,038
Profit for the year (net of tax)	233,688
Group's s share of total profit/ total comprehensive income.	116,844

Other Investments

An indirect investment of Eur50,000 has been made in Thought3D Ltd through Harvest Technology Limited, corresponding to 4% of its share capital.

1923 Investments p.l.c. (formerly PTL Holdings p.l.c.)

Notes to the financial statements

31 December 2017

18. Financial assets (continued)

Loans and receivables

Group

	Loans to ultimate parent Eur	Loans to other related parties Eur	Other receivables Eur	Total Eur
Amortised cost				
at 31.12.2016	-	2,070,997	85,895	2,156,892
Less: amount to be settled within 12 months (shown under current assets)	-	(1,777,156)	-	(1,777,156)
Amount to be settled after 12 months	-	293,841	85,895	379,736
Amortised cost				
at 31.12.2017	6,956,490	181,998	70,000	7,208,488
Less: amount to be settled within 12 months	(650,380)	(81,998)	-	(732,378)
Amount to be settled after 12 months	6,306,110	100,000	70,000	6,476,110

Loans and receivables

Holding company

	Loans to other related parties Eur	Loans to subsidiaries Eur	Total Eur
Amortised cost			
at 31.12.2016	100,000	2,024,635	2,124,635
Less: amount to be settled within 12 months (shown under current assets)	-	(2,024,635)	(2,024,635)
Amount to be settled after 12 months	100,000	-	100,000
Amortised cost			
at 31.12.2017	100,071	4,347,057	4,447,128
Less: amount to be settled within 12 months	(71)	(2,407,613)	(2,407,684)
Amount to be settled after 12 months	100,000	1,939,444	2,039,444

1923 Investments p.l.c. (formerly PTL Holdings p.l.c.)

Notes to the financial statements

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19. Inventory

	Group 2017 Eur	Group 2016 Eur	Holding company 2017 Eur	Holding company 2016 Eur
Finished goods and goods held for resale	12,407,437	8,768,471	-	-
Raw materials and consumables	1,782	15,341	-	-
	12,409,219	8,783,812	-	-
	=====	=====	=====	=====

The amount of inventories recognised as an expense during the year amounted to *Eur71,822,675* (2016 – *Eur68,678,902*).

Write-downs of inventories recognised in the statement of profit or loss and other comprehensive income during the year amounted to *EUR77,990* (2016 – *EUR11,427*) and are included with cost of sales.

1923 Investments p.l.c. (formerly PTL Holdings p.l.c.)

Notes to the financial statements

31 December 2017

20. Trade and other receivables

	Group 2017 Eur	Group 2016 Eur	Holding company 2017 Eur	Holding company 2016 Eur
Trade receivables	7,272,215	6,113,319	-	-
Amounts owed by ultimate parent	2,011,817	2,022,831	37,540	989,495
Amounts owed by associates	396,753	116,014	-	-
Amounts owed by related parties	1,481,772	48,620	256,892	-
Other receivables	2,196,690	248,547	7,057	7,057
Prepayments and accrued income	2,310,557	1,583,676	-	-
	15,669,804	10,133,007	301,489	996,552
Less: amount due for settlement within 12 months (shown under current assets)	(15,669,804)	(10,133,007)	(301,489)	(996,552)
	=====	=====	=====	=====

No interest is charged on trade and other receivables. The terms and conditions of amounts owed by related parties are disclosed in note 32.

Allowance for estimated irrecoverable amounts

Trade and other receivables are stated net of an allowance for estimated irrecoverable amounts from trade receivables amounting to *Eur*525,878 (2016 – *Eur*534,209). Movements in provisions for bad and doubtful receivables are included with administrative expenses amounting to *Eur*(8,331) (2016 – *Eur*(49,290)).

1923 Investments p.l.c. (formerly PTL Holdings p.l.c.)

Notes to the financial statements

31 December 2017

21. Trade and other payables

	Group 2017 Eur	Group 2016 Eur	Holding company 2017 Eur	Holding company 2016 Eur
Trade payables	16,587,422	11,684,408	37,006	49,340
Other payables	4,435,945	4,651,962	38,422	67,446
Accruals and deferred income	6,104,193	3,556,129	535,033	341,703
Amounts due to ultimate parent	85,727	-	-	-
	27,213,287	19,892,499	610,461	458,489
Less: amount due for settlement within 12 months (shown under current liabilities)	(26,136,896)	(19,431,491)	(610,461)	(458,489)
Amount due for settlement after 12 months	1,076,391	461,008	-	-
	=====	=====	=====	=====

No interest is charged on trade and other payables.

22. Bank overdrafts and loans

	Group 2017 Eur	Group 2016 Eur	Holding company 2017 Eur	Holding company 2016 Eur
Bank overdrafts	1,122,195	735,446	-	-
Bank loans	10,642,763	7,644,722	-	-
	11,764,958	8,380,168	-	-
Less: amount due for settlement within 12 months (shown under current liabilities)	(6,009,619)	(2,095,867)	-	-
	5,755,339	6,284,301	-	-
	=====	=====	=====	=====

As at 31 December 2017, Allcom Sp, z o.o., a subsidiary owned by Hili Logistics Limited, was in breach of bank covenants in respect of the loan for the total amount of Eur2,797,158 (2016 - Eur3,143,425). The breach occurred because of corporate restructuring and not because of performance or failure in honouring debt service commitments. Therefore, this loan was classified as payable on demand. However, subsequent to the reporting periods ending 31 December 2017 and 2016, Allcom Sp, z o.o. received waiver letter from the bank confirming that the bank will not demand the early repayment of this loan.

1923 Investments p.l.c. (formerly PTL Holdings p.l.c.)

Notes to the financial statements

31 December 2017

22. Bank overdrafts and loans (continued)

Bank overdrafts and loans are repayable as follows:

	Group 2017 Eur	Group 2016 Eur	Holding company 2017 Eur	Holding company 2016 Eur
On demand or within one year	6,009,619	2,095,867	-	-
In the second year	1,628,123	1,361,482	-	-
In the third year	3,853,835	4,922,819	-	-
In the fourth year	135,503	-	-	-
In the fifth year	137,878	-	-	-
	<u>11,764,958</u>	<u>8,380,168</u>	<u>-</u>	<u>-</u>
	=====	=====	=====	=====

The group's bank loans and overdraft facilities bear effective interest at a floating rate of 5.57% (2016 – 5.67%) p.a. Bank overdraft are secured by a first general hypothecs over the assets of the PTL Limited. Bank loans comprise a bank loan taken by PTL Poland SP. Z O.O. for the acquisition of the investment in SAD SP. Z O.O. This loan has an effective interest rate of 3 month WIBOR plus 3.5% margin. The facility is secured by a pledge and financial pledge on the shares of SAD SP. Z O.O. This Registered pledge on shares is established for maximum security of *Eur18,000,000* (2016 – *Eur18,000,000*). In addition, the group has a registered pledge on things and rights belonging to SAD SP. z O.O. amounting to *Eur3,236,711* (2016 – *Eur3,051,537*).

23. Other financial liabilities

	Group 2017 Eur	Group 2016 Eur	Holding company 2017 Eur	Holding company 2016 Eur
Amounts owed to parent	2,203,157	2,432,063	-	235,000
Amounts owed to joint venture	361,468	3,673	-	-
Amounts owed to related parties	221,226	53,371	-	1,156,733
Amounts owed to subsidiaries	-	-	370,640	-
Amounts owed to associates	12,790	-	-	-
Amounts owed to a shareholder	2,581	-	-	-
Amounts owed to a third party	6,000,000	-	-	-
	<u>8,801,222</u>	<u>2,489,107</u>	<u>370,640</u>	<u>1,391,733</u>
Less: amount due for settlement within 12 months (shown under current liabilities)	<u>(405,422)</u>	<u>(2,489,107)</u>	<u>(192,965)</u>	<u>(1,391,733)</u>
Amount due for settlement after 12 months	<u>8,395,800</u>	<u>-</u>	<u>177,675</u>	<u>-</u>
	=====	=====	=====	=====

The terms and conditions of the amounts owed to the parent and other related parties are disclosed in note 32.

1923 Investments p.l.c. (formerly PTL Holdings p.l.c.)

Notes to the financial statements

31 December 2017

24. Deferred taxation

Group

	Opening balance Eur	Recognised in profit or loss Eur	Closing Balance Eur
2016			
Arising on:			
Intangible asset	(199,254)	(109,818)	(309,072)
Unutilised capital loss	(9,592)	9,592	-
Other temporary differences	(147,209)	(194,217)	(341,426)
	<u>(356,055)</u>	<u>(294,443)</u>	<u>(650,498)</u>
Arising on:			
Property, plant and equipment	168,013	(166,406)	1,607
Unabsorbed capital allowances	-	21,995	21,995
Unutilised tax losses	109,049	(10,045)	99,004
Provisions	282,271	2,412	284,683
Other temporary differences	118,961	303,158	422,119
	<u>678,294</u>	<u>151,114</u>	<u>829,408</u>
	<u>322,239</u>	<u>(143,329)</u>	<u>178,910</u>
	=====	=====	=====
2017			
Arising on:			
Intangible asset	(309,072)	309,072	-
Property, plant and equipment	-	(558,230)	(558,230)
Unutilised capital loss	-	(291,452)	(291,452)
Other temporary differences	(341,426)	182,041	(159,385)
	<u>(650,498)</u>	<u>(358,569)</u>	<u>(1,009,067)</u>
Arising on:			
Property, plant and equipment	1,607	331,115	332,722
Unabsorbed capital allowances	21,995	691	22,686
Unabsorbed tax losses	99,004	(99,004)	-
Provisions	284,683	104,975	389,658
Other temporary differences	422,119	(55,462)	366,657
	<u>829,408</u>	<u>282,315</u>	<u>1,111,723</u>
	<u>178,911</u>	<u>(76,254)</u>	<u>102,656</u>
	=====	=====	=====
Recognised on acquisition (note 30)			<u>(10,813)</u>
			<u>91,843</u>
			=====

1923 Investments p.l.c. (formerly PTL Holdings p.l.c.)

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24. Deferred taxation (continued)

Deferred tax assets have been recognised for all unused tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilised. The majority of the deferred tax asset arising on unutilised tax losses reverses when dividends are declared from the subsidiaries. The aggregate amount of unused tax losses associated with investments in subsidiaries for which deferred tax assets have not been recognised amounts to *Eur29,279* (2016: *Eur29,279*).

Group

The aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised, amounts to *Eur8,459,147* (2016 – *Eur10,118,393*).

25. Debt securities in issue

	Group and Holding 2017 Eur	Group and holding 2016 Eur
5.1% unsecured bonds redeemable 2024	<u>35,434,649</u>	<u>35,353,742</u>

In December 2014, the company issued 360,000 5.1% unsecured bonds of a nominal value of *Eur100* per bond. The bonds are redeemable at their nominal value on 4 December 2024.

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

The bonds are listed on the Official List of the Malta Stock Exchange. The carrying amount of the bonds is net of direct issue costs of *Eur565,351* (2016 – *Eur646,258*) which are being amortised over the life of the bonds. The market value of debt securities on the last trading day before the statement of financial position date was *Eur37,267,200* (2016 – *Eur37,782,000*).

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26. Share capital

	2016	
	Authorised Eur	Issued and called up Eur
10,000,000 Ordinary shares of Eur1 each, 8,399,724 of which have been issued and called up	<u>10,000,000</u>	<u>8,399,724</u>

During 2014 the company increased its issued and called up Share capital from *Eur5,000* to *Eur8,399,724* through the capitalisation of shareholder loans amounting to *Eur4,394,724* and the issuance of *4,000,000* ordinary shares with a nominal value of Eur1 per share.

	2017	
	Authorised Eur	Issued and called up Eur
36,000,000 Ordinary shares of Eur1 each, 35,575,000 of which have been issued and called up	<u>36,000,000</u>	<u>35,575,000</u>

During April 2017, the company increased its issued and called up share capital from *Eur8,399,724* to *Eur10,000,000*, through the capitalisation of shareholder loans amounting to *Eur1,600,276* and the issuance of *1,600,276* ordinary shares with a nominal value of Eur1 per share.

During December 2017, the Company resolved, through an extraordinary resolution dated 7 December 2017, to increase the authorised share capital from 10,000,000 ordinary shares of Eur1 each to 36,000,000 ordinary shares of Eur1 each.

Subsequently during December 2017, the company acquired Hili Logistics Limited from Hili Ventures Limited, at a consideration price of *Eur25,575,000*. The consideration was settled in full through the capitalisation of a shareholder loan amounting to *Eur25,575,000* and the issuance and allotment of *25,575,000* ordinary shares with a nominal value of Eur1 per share to Hili Ventures Limited.

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27. Other equity

	Group 2017 Eur	Group 2016 Eur
Other equity	<u>4,765,472</u>	<u>3,121,365</u>

On 30 December 2013, the company, through its direct subsidiary, Harvest Technology Limited, acquired 100% interest in PTL Limited, 50% interest in Hili Salomone Company Limited and 33% interest in Smart Technologies Limited from a related party, Hili Company Limited (see notes 18 and 30). Both Hili Company Limited and 1923 Investments p.l.c. (formerly PTL Holdings p.l.c.) have the same parent company, Hili Ventures Limited.

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

The difference of *Eur1,367,314* between consideration for the acquired entities of *Eur3,551,791* and the amounts at which the assets and liabilities of the acquired entities were recognised of *Eur2,184,477* are included in equity in terms of predecessor accounting.

On 22 December 2016, Harvest Technology Limited Limited eliminated *Eur1,754,051* of its accumulated losses through a reduction of its share premium account of the same amount. At consolidated level, this is included in equity.

During 2017, the interest in Smart Technologies Limited was disposed of by the group and an amount of *Eur300,000* previously recognized in other equity was eliminated.

On 2 December 2017, Hili Logistics Limited eliminated *Eur2,075,000* of its accumulated losses through a reduction of its share premium account of the same amount. At consolidation level, this is included in equity.

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28. Exchange reserve

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

29. Cash and Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following amounts in the statement of financial position:

	Group 2017 Eur	Group 2016 Eur	Holding company 2017 Eur	Holding company 2016 Eur
Cash at bank and on hand	3,231,078	3,893,245	198,917	199,879
Bank overdraft	(1,122,195)	(735,446)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Cash and cash equivalents in the statement of cash flows	2,108,883	3,157,799	198,917	199,879
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Any interest earned on cash at bank is based on market rates.

30. Business combination

On 30 November 2016, the group acquired 100% interest in AlfaCapital srl, a company registered in Romania, which principal activity as an Apple Premium Reseller is the sale of Apple products. The 2016 consolidated financial statements include the results of the subsidiary for the month from the date of acquisition. The group previously held a 50% interest in AlfaCapital srl indirectly through its 50% holding in Hili Salomone Limited. On 30 November 2016, iSpot Holdings BV acquired 100% shareholding directly from Hili Salomone Limited.

No acquisition costs were incurred in this acquisition.

The receivables acquired (which principally comprised trade receivables) in these transactions with fair value of Eur694,764 had gross contractual amounts of Eur694,764. As at acquisition date, there are no contracted cash flows which are not expected to be collected.

Goodwill arose in the acquisition of AlfaCapital srl because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

In view of the fact that AlfaCapital srl was in a net liability position as at the date of acquisition, no equity interest in the acquiree was being recognised by the group.

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30. Business combination (continued)

During year 2016, the fair value of identifiable assets acquired and liabilities assumed at the date of acquisition of iSpot Premium Romania (formerly Alfa Capital srl) was:

	Eur
Cash and cash equivalents	32,653
Inventories	263,984
Other financial liabilities	(959,643)
Property, plant and equipment	78,496
Trade and other receivables	694,764
Trade and other payables	(689,484)

Fair value of assets and liabilities acquired	(579,230)
	=====
Goodwill arising on acquisition	
Fair value of identifiable assets and liabilities acquired	579,230
Consideration transferred	(2)
Less: Previous carrying amount of liability from joint venture	(289,615)

Goodwill (note 15)	289,613
	=====

Included in the profit for the year for 2016 is a loss of *Eur102,488* attributable to the newly acquired subsidiary from date of acquisition to year end. Revenue included *Eur470,703* in respect of the said subsidiary. Had the acquisition of the subsidiary been effected on 1 January 2016 the revenue of the group would have increased by *Eur4,763,905* while profit after tax would have increased by *Eur51,244*, in view of the fact that the group has already recognised *Eur108,083* as its share of losses up to acquisition date. The directors consider these numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

The fair value of the equity interest in iSpot Premium Romania (formerly Alfa Capital srl) immediately before the acquisition date was *Eur289,613*.

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30. Business combination (continued)

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

No acquisition costs were incurred in this acquisition.

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

	Eur
Goodwill	25,674,835
Cash and cash equivalents	1,200,069
Bank overdrafts	(453,034)
Bank loans	(3,977,115)
Inventories	1,966
Other financial liabilities	(281,855)
Loans and receivables	761,319
Property, plant and equipment	2,458,099
Intangible assets	878
Trade and other receivables	5,513,334
Other non-current assets	133,357
Trade and other payables	(5,227,083)
Tax liabilities	(10,813)

Fair value of assets and liabilities acquired	25,793,957
	=====
Goodwill arising on acquisition	
Fair value of identifiable assets and liabilities acquired	25,793,957
Consideration transferred	(25,575,000)

Negative goodwill written off to statement of profit or loss	(218,957)
	=====

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

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31. Post balance sheet events

Harvest Technology Limited is currently in the process of liquidating Hili Salomone Company Limited. This process should be completed by the end of 2018.

As at date of financial statement approval, two subsidiary undertakings within the group, iSpot Holdings BV and Hili Company BV are in the process of a cross-border merger with their immediate parent companies; 1923 Investments plc and Hili Logistics Ltd respectively.

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32. Related party transactions

1923 Investments p.l.c. (formerly PTL Holdings p.l.c.) is the parent company of the subsidiary undertakings highlighted in note 18. The parent company of 1923 Investments p.l.c. (formerly PTL Holdings p.l.c.) is Hili Ventures Limited which is incorporated in Malta. The registered office of Hili Ventures Limited, being the undertaking which draws up the consolidated financial statements of the smallest body of undertakings of which 1923 Investments p.l.c. (formerly PTL Holdings plc forms part as a subsidiary undertaking, is Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000, Malta, from where the above consolidated financial statements may be obtained.

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

Group

	2017			2016		
	Related party activity Eur	Total activity Eur	%	Related party activity Eur	Total activity Eur	%
Revenue:						
<i>Related party transactions with:</i>						
Other related parties	<u>1,093,194</u>	<u>97,535,475</u>	<u>1</u>	<u>794,949</u>	<u>86,421,325</u>	<u>1</u>
Cost of sales:						
<i>Related party transactions with:</i>						
Other related parties	<u>26,527</u>	<u>89,280,698</u>	<u>0</u>	<u>18,704</u>	<u>79,437,458</u>	<u>0</u>
Administrative expenses:						
<i>Related party transactions with:</i>						
Other related parties	<u>297,254</u>			<u>70,905</u>		
Parent company	<u>10,415</u>			<u>(299,000)</u>		
	<u>307,669</u>	<u>6,127,004</u>	<u>5</u>	<u>(228,095)</u>	<u>4,645,422</u>	<u>(5)</u>
Interest income:						
<i>Related party transactions with:</i>						
Other related parties	<u>326,962</u>			<u>16,885</u>		
Parent company	<u>94,623</u>			<u>-</u>		
	<u>421,585</u>	<u>508,984</u>	<u>83</u>	<u>16,885</u>	<u>21,096</u>	<u>80</u>
Other operating income:						
<i>Related party transactions with:</i>						
Parent company	<u>-</u>	<u>10,686</u>	<u>0</u>	<u>233,333</u>	<u>394,048</u>	<u>59</u>

1923 Investments p.l.c. (formerly PTL Holdings p.l.c.)

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32. Related party transactions (continued)

Holding Company

	2017			2016		
	Related party activity Eur	Total activity Eur	%	Related party activity Eur	Total activity Eur	%
Revenue						
<i>Related party transactions with:</i>						
Other related parties	<u>420,000</u>	<u>420,000</u>	<u>100</u>	<u>420,000</u>	<u>420,000</u>	<u>100</u>
Investment Income						
<i>Related party transactions with:</i>						
Subsidiaries	110,672			-		
Other related parties	-			1,323,583		
Dividends	<u>2,823,531</u>					
	<u>2,934,203</u>	<u>2,934,203</u>	<u>100</u>	<u>1,323,583</u>	<u>1,323,583</u>	<u>100</u>

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

No expense has been recognised in the period for 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 by related parties.

The share of profit/loss on associate and joint ventures is disclosed in note 18. Key management personnel compensation is disclosed in note 11. Dividend income is disclosed in note 8.

The amounts due to/from other related parties at period-end are disclosed in notes 18, 20, 21 and 23. The terms and conditions in respect of the related party balances do not specify the nature of the consideration to be provided in settlement. No guarantees have been given or received.

The amounts owed to the group by other related parties entered into prior to year 2016 and disclosed in note 18, are unsecured, bear interest at 5% and are repayable by 31 December 2020. New loans entered into in year 2016 bear interest at 4.5%. The amounts due in note 20 are unsecured, interest free and repayable on demand.

The group's other financial liabilities disclosed in note 23 are unsecured, and Eur 2,798,641 (2016 - Eur 2,385,000) bear interest at 4.5% with the remaining balance being interest-free. Although these amounts have no fixed date for repayment, they are expected to be settled within twelve months after the end of the reporting period. The company's other financial liabilities at 31 December 2016, disclosed in note 23 were unsecured and interest-free except for an amount of Eur 235,000 which bore interest at 4.5%. Although these amounts had no fixed date for repayment, they were expected to be settled within twelve months after the end of the reporting period. Amounts disclosed for the company in year 2017, were unsecured, bear interest at 4.5% and are repayable by 31 December 2020.

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32. Related party transactions (continued)

As disclosed in note 18, the company through its direct subsidiary acquired a number of subsidiaries, an associate and joint ventures. Contingent liabilities and guarantees are disclosed in note 22 and 34 respectively.

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

The movement in share capital is disclosed in note 26.

33. Operating leases

Group

	2017 Eur	2016 Eur
Minimum lease payments under operating lease recognised as an expense for the year/period	3,288,246	3,250,987
Contingent rent	93,840	73,283
	<u>3,382,086</u>	<u>3,324,270</u>
	=====	=====

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

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

	Group 2017 Eur	Group 2016 Eur	Holding Company 2017 Eur	Holding company 2016 Eur
Within one year	3,166,368	3,984,417	-	-
Between one and five years	6,872,572	11,792,977	-	-
Over five years	834,054	1,715,093	-	-
	<u>10,872,994</u>	<u>17,492,487</u>	<u>-</u>	<u>-</u>
	=====	=====	=====	=====

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34. Contingent liabilities

- (i) At the end of the reporting period, one of the group's subsidiaries had issued guarantees amounting to Eur700,000 (2016 - Eur770,000) in relation to bank facilities granted to related undertakings. The same subsidiary also had guarantees amounting to Eur1,267,700 (2016 - Eur422,737) granted to third parties as collateral for liabilities. One of the group's subsidiaries signed an agreement with HSBC Bank on line guarantees and letters of credit in the amount of Eur13,666,115 (2016: Eur7,911,392).
- (ii) At the end of the reporting period, one of the group's subsidiaries, together with other related parties provided guarantees in relation to bank facilities granted to related undertakings. In the directors' opinion no provision is required against such amounts as the principal borrowers are either not expected to default or such facilities are secured by property, plant and equipment or other guarantors.
- (iii) In 2016, a claim was made against one of the group's subsidiaries by a third party for compensation due to injuries incurred during the discharge of his duties. The estimated value of the claim amounted to *Eur112,549*. No provision is being made by the subsidiary as the Directors are confident of a positive outcome. There were no further developments on this claim in 2017.
- (iv) At the end of reporting period there were two credit facilities included with bank loans as disclosed in note 22 which were secured on the property of Allcom, one of the group's subsidiaries in Poland. The subsidiary's perpetual usufruct of land and buildings in Bolszewo, all of the subsidiary's other assets and insurance policies and shares, constitute collateral for the bank facilities granted on 13th September 2016. The total amount of collateral is limited to *Eur5,357,143*.
- (v) Allcom has also provided a guarantee for a total of *Eur1,428,857* to the customs office in Poland, through a financial institution in the same country, to secure customs payments realised on behalf of its clients. The total utilisation of the guarantee as at the end of the reporting period was *EurNil*.

35. Fair values of financial assets and financial liabilities

At 31 December 2017, the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively approximated their fair values due to the short-term maturities of these assets and liabilities.

The fair values of the debt securities in issue is as disclosed in note 25. The fair values of other non-current financial liabilities and the non-current loans and receivables are not materially different from their carrying amounts due to the fact that the interest rates are considered to represent market rates at the year-end or because they are repayable on demand. The fair values of the financial assets and financial liabilities included in the level 2 category above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

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35. Fair values of financial assets and financial liabilities (continued)

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

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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

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

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35. Fair values of financial assets and financial liabilities (continued)

Group (continued)

Fair value measurement at end of the reporting period using:

Group

	Level 1 €	Level 2 €	Level 3 €	Total €	Carrying amount €
2017					
<i>Financial assets</i>					
<i>Loans and receivables</i>					
-receivables from related parties	-	7,208,488	-	7,208,488	7,208,488
Total	-	7,208,488	-	7,208,488	7,208,488
<i>Financial liabilities at amortised cost</i>					
-related party loans	-	8,801,222	-	8,801,222	8,801,222
-bank overdrafts and loans	-	11,764,958	-	11,764,958	11,764,958
-debt securities	37,267,200	-	-	37,267,200	35,434,649
Total	37,267,200	20,566,180	-	57,833,380	56,000,829
	Level 1 €	Level 2 €	Level 3 €	Total €	Carrying amount €
2016					
<i>Financial assets</i>					
<i>Loans and receivables</i>					
-receivables from related parties	-	2,156,892	-	2,156,892	2,156,892
Total	-	2,156,892	-	2,156,892	2,156,892
<i>Financial liabilities at amortised cost</i>					
-related party loans	-	2,489,107	-	2,489,107	2,489,107
-bank overdrafts and loans	-	8,380,168	-	8,380,168	8,380,168
-debt securities	37,782,000	-	-	37,782,000	35,353,742
Total	37,782,000	10,869,275	-	48,651,275	46,222,017

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35. Fair values of financial assets and financial liabilities (continued)

	Level 1 €	Level 2 €	Level 3 €	Total €	Amount €
2017					
<i>Financial assets</i>					
Loans and receivables					
- receivables from related parties	-	4,447,128	-	4,447,128	4,447,128
Total	-	4,447,128	-	4,447,128	4,447,128
<i>Financial liabilities at amortised cost</i>					
- related party loans	-	370,640	-	370,640	370,640
- debt securities	37,267,200	-	-	37,267,200	35,434,649
Total	37,267,200	370,640	-	37,637,840	35,805,289
2016					
<i>Financial assets</i>					
Loans and receivables					
- receivables from related parties	-	2,124,635	-	2,124,635	2,124,635
Total	-	2,124,635	-	2,124,635	2,124,635
<i>Financial liabilities at amortised cost</i>					
- related party loans	-	1,391,733	-	1,391,733	1,379,733
- debt securities	37,782,000	-	-	37,782,000	35,353,742
Total	37,782,000	1,391,733	-	39,173,733	36,733,475

36. Financial risk management

The exposures to risk and the way risks arise, together with the group's objectives, policies and processes for managing and measuring these risks are disclosed in more detail below.

The objectives, policies and processes for managing financial risks and the methods used to measure such risks are subject to continual improvement and development.

Where applicable, any significant changes in the group's exposure to financial risks or the manner in which the group manages and measures these risks are disclosed below.

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

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36. Financial risk management (continued)

Credit risk

Financial assets which potentially subject the group and the company to concentrations of credit risk consist principally of receivables and cash at bank.

Receivables are presented net of an allowance for doubtful debts. An allowance for doubtful debts is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Credit risk with respect to trade receivables is limited due to credit control procedures and the large number of customers comprising the group's debtor base.

Loans and receivables comprise amounts due from related parties. The group's and company's concentration to credit risk arising from these receivables are considered limited as there were no indications that these counterparties are unable to meet their obligations. The company reviews loans and receivables to evaluate whether events or changes in circumstances indicate that the carrying amounts may not be recoverable as explained in note 3.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-rating assigned by international credit-rating agencies. The company's bank balances are held with HSBC Bank Polska S.A, whose ultimate parent company is HSBC Holdings plc and is rated A (2016: A) based on rating agency Standard & Poor's and with ING Bank Śląski S.A. also rated A by the same rating agency.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the group's and the company's maximum exposure to credit risk, without taking account of the value of the collateral obtained. Guarantees are disclosed in notes 22 and 34.

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

Management considers the credit quality of these financial assets as being acceptable. These financial assets do not include any material balances with past default experience.

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

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

Included in the group's trade receivable balance are the following debtors which are past due at the end of the reporting period for which the group has not provided as the amounts are still considered recoverable:

1923 Investments p.l.c. (formerly PTL Holdings p.l.c.)

Notes to the financial statements

31 December 2017

36. Financial risk management (continued)

Credit risk - continued

Group

	2017	2016
	Eur	Eur
31-60 days	795,980	1,006,832
61-90 days	686,471	274,514
over 90 days	2,155,902	836,219
	3,638,353	2,117,565
	=====	=====

The group does not hold any collateral over the above balances.

Currency risk

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

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

Interest rate risk

The company has debt securities in issue with a fixed coupon as disclosed in note 25, loans and receivables with a fixed coupon as disclosed in note 18 and 32, and cash at bank with a floating coupon as disclosed in note 29. The group has taken out interest bearing facilities as disclosed in notes 22 and 25. The interest rates thereon and the terms of such borrowings are disclosed accordingly. The group also has loans and receivables and cash at bank with interest rates as disclosed in notes 18, 29 and 32.

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

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

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

1923 Investments p.l.c. (formerly PTL Holdings p.l.c.)

Notes to the financial statements

31 December 2017

36. Financial risk management (continued)

Liquidity risk

The company and the group monitor and manages its risk to a shortage of funds by maintaining sufficient cash, by matching the maturity of both its financial assets and financial liabilities, as far as possible, and by monitoring the availability of raising funds to meet commitments associated with financial instruments.

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

Group

	On demand or within 1 year Eur	1-2 years Eur	2-5 years Eur	More than 5 years Eur	Total Eur
2017					
<i>Non-derivatives financial liabilities</i>					
Non-interest bearing	26,542,318	7,076,391	-	-	33,618,709
Fixed rate instruments	2,958,195	10,231,800	5,508,000	39,672,000	58,369,995
Variable rate instruments	5,274,784	2,399,842	4,162,047	-	11,836,673
	<u>34,775,297</u>	<u>19,708,033</u>	<u>9,670,047</u>	<u>39,672,000</u>	<u>103,825,377</u>
2016					
<i>Non-derivatives financial liabilities</i>					
Non-interest bearing	21,920,598	461,008	-	-	22,381,607
Fixed rate instruments	2,571,446	1,836,000	5,508,000	41,508,000	51,423,446
Variable rate instruments	1,721,072	1,661,236	5,051,072	-	8,433,380
	<u>26,213,116</u>	<u>3,958,245</u>	<u>10,559,072</u>	<u>41,508,000</u>	<u>82,238,433</u>

1923 Investments p.l.c. (formerly PTL Holdings p.l.c.)

Notes to the financial statements

31 December 2017

36. Financial risk management (continued)

Holding Company

	On demand or within 1 year Eur	1-2 years Eur	2-5 years Eur	More than 5 years Eur	Total Eur
2017					
Non-derivatives financial liabilities					
Non-interest bearing	610,461	-	-	-	610,461
Fixed rate instruments	2,028,965	2,013,675	5,508,000	39,672,000	49,222,640
	<u>2,639,426</u>	<u>2,013,675</u>	<u>5,508,000</u>	<u>39,672,000</u>	<u>49,833,101</u>
2016					
Non-derivatives financial liabilities					
Non-interest bearing	458,489	-	-	-	458,489
Fixed rate instruments	3,227,733	1,836,000	5,508,000	41,508,000	52,079,733
	<u>3,686,222</u>	<u>1,836,000</u>	<u>5,508,000</u>	<u>41,508,000</u>	<u>52,538,222</u>

Capital risk management

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

The capital structure of the group and the company consists of debt, which includes the borrowings disclosed in notes 22, 23 and 25, cash and cash equivalents as disclosed in note 29 and of items presented within equity in the statement of financial position.

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

1923 Investments p.l.c. (formerly PTL Holdings p.l.c.)

Notes to the financial statements

31 December 2017

37. Discontinued operations

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

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

	2017 Eur	2016 Eur
Revenue	-	(43,320)
Cost of sales	-	(34,933)
Administrative and other expenses	(4,988)	(155,080)
Loss for the year from discontinued operations	(4,988)	(233,333)

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

	2017 Eur	2016 Eur
Operating activities	(4,988)	(188,349)
Cash flows used in discontinued operations	(4,988)	(188,349)

Independent auditor's report

To the shareholders of 1923 Investments p.l.c. (formerly PTL Holdings p.l.c.)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of 1923 Investments p.l.c. (the “Company”) and of the Group of which it is the parent, set out on pages 13 to 87, which comprise the statements of financial position as at 31 December 2017, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company and the Group as at 31 December 2017, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Companies Act, Cap. 386 (the “Act”).

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 in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The financial statements of the Company and the Group for the year ended 31 December 2016 were audited by another auditor who expressed an unmodified opinion on those statements on 26 April 2017.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. In determining the key audit matters we have taken into consideration, amongst other matters, the breakdown in internal controls identified by the board of directors. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Key audit matter

Goodwill with a carrying amount of €56 million and intangible assets having a carrying amount of €12.7 million as at 31 December 2017 are included on the Group's Statement of Financial Position as at that date.

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

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

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

We focussed on this area because of the significance of the amounts of goodwill and intangible assets with indefinite useful life acquired in business combinations made by the Group up to 31 December 2017 which are recognised at balance sheet date. Moreover, the directors' assessment process is complex and highly judgmental and is based on assumptions which are affected by expected future market or economic conditions.

How the key audit matter was addressed in our audit

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

We communicated with management and those charged with governance and noted that they were able to provide satisfactory responses to our questions. We also assessed the adequacy of the disclosures made in note 15 of the financial statements relating to goodwill including those regarding the key assumptions used in assessing its carrying amount. Those disclosures specifically explain that the directors have assessed the carrying amount of goodwill and intangible assets with an indefinite useful life as at 31 December 2017 to be recoverable and that there is no impairment in the value of the goodwill and intangible assets with an indefinite useful life.

Assessment of carrying amount of investments in subsidiaries and other investments

Key audit matter

During the year ended 31 December 2017 management carried out an assessment to establish whether the carrying amount of investments in subsidiaries and other investments in the financial statements of the Company at 31 December 2017 should continue to be recognised, or if any impairment is required.

We focussed on this area because of the significance of the investments in subsidiaries and other investments which, at 31 December 2017, amounted € 67.7 million. Moreover, the directors' assessment process is complex and highly judgmental and is based on assumptions, such as forecast growth rates, profit margins, weighted average cost of capital and effective tax rate, which are affected by expected future market or economic conditions.

How the key audit matter was addressed in our audit

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

We communicated with management and those charged with governance and noted that they were able to provide satisfactory responses to our questions. We also assessed the adequacy of the disclosures made in note 18 of the financial statements relating to investments including those regarding the key assumptions used in assessing its carrying amount. Those disclosures specifically explain that the directors have assessed the carrying amount of investments as at 31 December 2017 to be recoverable and that there is no impairment in the value of the investments.

Other information

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

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

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

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

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

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

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

Responsibilities of those charged with governance for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

Report on Corporate Governance Statement

Listing Rules 5.94 and 5.97 issued by the Malta Listing Authority (the "Listing Rules") require the directors to prepare and include in their Annual Report a Corporate Governance Statement providing an explanation of the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance throughout the accounting period with those Principles.

Listing Rule 5.98 also requires us, as the auditor of the Company, to include a report on the Statement of Compliance prepared by the directors.

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

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

In our opinion, the Corporate Governance Statement set out on pages 7 to 10 has been properly prepared in accordance with the requirements of the Listing Rules.

Other matters on which we are required to report by exception

We also have responsibilities

- under the Companies Act, Cap 386 to report to you if, in our opinion:
 - adequate accounting records have not been kept
 - the financial statements are not in agreement with the accounting records
 - we have not received all the information and explanations we require for our audit.

- in terms of Listing Rule 5.62 to review the statement made by the Directors that the business is a going concern together with supporting assumptions or qualifications as necessary.

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

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



Mark Bugeja (Partner) for and on behalf of
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Fort Business Centre
Level 2
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26 April 2018