# Financial Analysis Summary

20 June 2018

Issuer

## 1923 Investments p.l.c.

## (formerly PTL Holdings p.l.c.)

CHARTS
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The Directors
1923 Investments p.l.c.
Nineteen Twenty Three
Valletta Road
Marsa MRS 3000

20 June 2018

Dear Sirs

**1923 Investments p.l.c. Financial Analysis Summary**

In accordance with your instructions, and in line with the requirements of the Listing Authority Policies, we have compiled the 2018 Financial Analysis Summary ("**Analysis**") set out on the following pages and which is being forwarded to you together with this letter.

The purpose of the financial analysis is that of summarising key financial data appertaining to 1923 Investments p.l.c. (the "**Group**" or the "**Company**"). The data is derived from various sources or is based on our own computations as follows:

(a) Historical financial data for the years ended 31 December 2015 to 31 December 2017 has been extracted from the audited financial statements of 1923 Investments p.l.c. and its subsidiaries.

(b) The forecast data of the Group for the year ending 31 December 2018 and 31 December 2019 has been provided by management of the Company.

(c) Our commentary on the results of the Group and on its financial position is based on the explanations provided by the Company.

(d) The ratios quoted in the Financial Analysis Summary have been computed by us applying the definitions set out in Part 4 of the Analysis.

(e) Relevant financial data in respect of the companies included in Part 3 has been extracted from public sources such as websites of the companies concerned, financial statements filed with the Registrar of Companies or websites providing financial data.

The Analysis is meant to assist investors in the Company's securities and potential investors by summarising the more important financial data of the Group. The Analysis does not contain all data that is relevant to investors or potential investors. The Analysis does not constitute an endorsement by our firm of any securities of the Company and should not be interpreted as a recommendation to invest in any of the Company's securities. We shall not accept any liability for any loss or damage arising out of the use of the Analysis. As with all investments, potential investors are encouraged to seek professional advice before investing in the Company's securities.

Yours faithfully,

**Evan Mohnani**
Head – Corporate Finance

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# PART 1 – INFORMATION ABOUT THE COMPANY

## 1. KEY ACTIVITIES

1923 Investments p.l.c. (the "**Company**", "**Issuer**" or the "**Group**") was incorporated on 23 December 2013 as a holding company and forms part of the Hili Ventures Group. The Group is engaged in:

- the sale and distribution of Apple Products as an Apple Premium Reseller;
- the sale, maintenance and servicing of information technology solutions, physical professional security systems and the provision of electronic payment solutions; and
- transport and logistics in Malta and Poland, including air, road, sea and rail freight forwarding, clearances and deliveries, customs brokerage, parcel services, warehousing, ship agency, ship-to-ship operations and project cargo.

## 2. DIRECTORS AND SENIOR MANAGEMENT

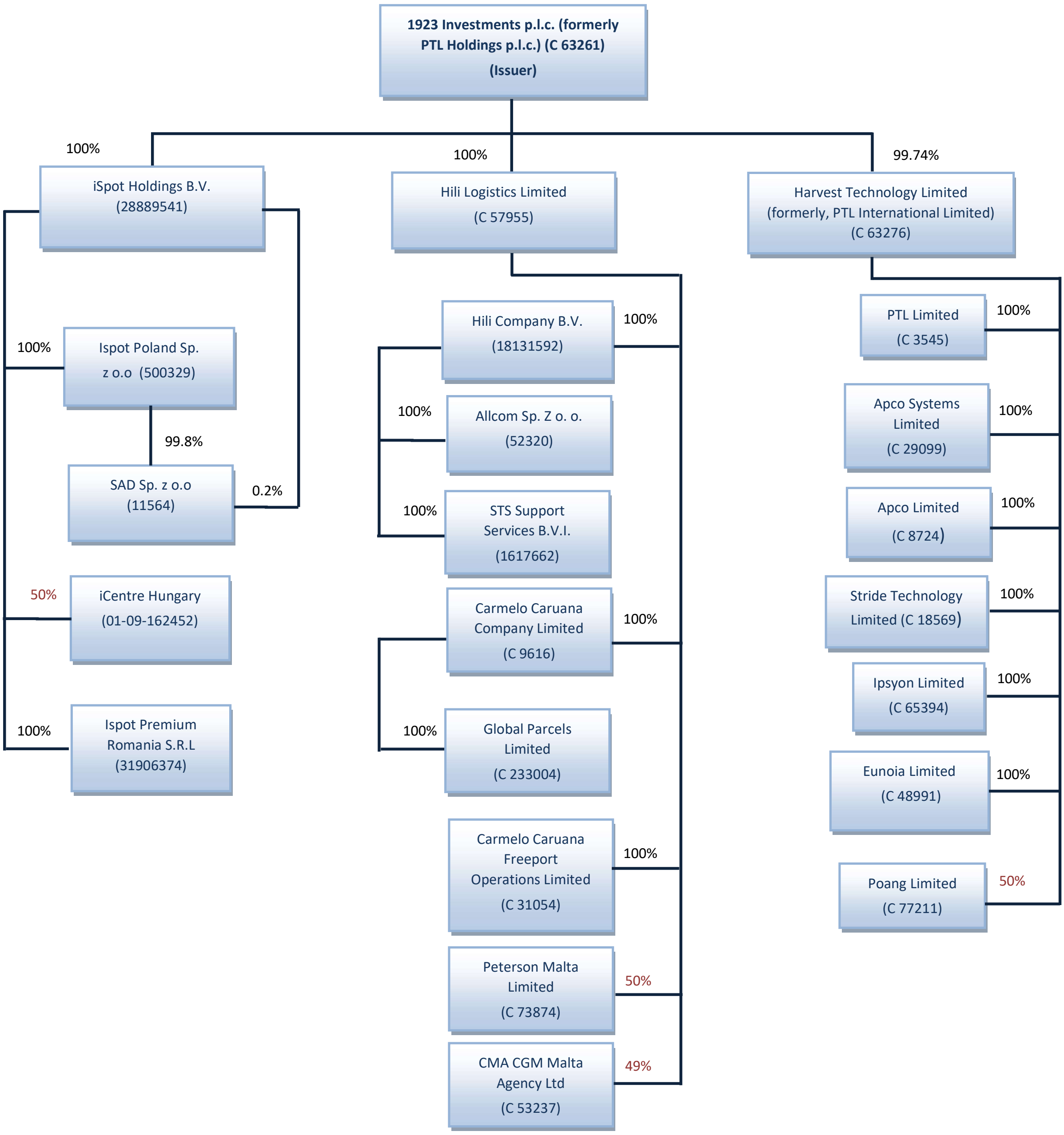
The Company is managed by a Board consisting of seven directors entrusted with its overall direction and management.

**Board of Directors**

| | |
|---|---|
| Charles Borg | Chairman |
| Richard Abdilla Castillo | Director & Chief Executive |
| Geoffrey Camilleri | Director |
| Stephen Kenneth Tarr | Director |
| Margrith Lutschg-Emmenegger | Independent Non-Executive Director |
| John Trefor Price Roberts | Independent Non-Executive Director |
| Karl Fritz | Independent Non-Executive Director |

## 3. GROUP ORGANISATIONAL STRUCTURE

As the holding company of the Group, the Company is ultimately dependent upon the operations and performance of the Group's operating companies. The organisational structure of the Group is illustrated in the diagram hereunder:



The Group operates three distinct businesses, as follows:

- **iSpot** (iSpot Holdings B.V. and its subsidiary/associate companies) is principally engaged in retailing Apple products in Poland, Romania and Hungary;
- **Harvest** (Harvest Technology Limited and its subsidiary companies) is mainly involved in diverse technology businesses.
- **Hili Logistics** (Hili Logistics Limited and its subsidiary companies) operates in the transport and logistics sector.

In addition to the companies outlined in the above organisational structure, the Issuer has an indirect shareholding in Hili Salomone Company Limited (50%), which is in the process of liquidation. In 2017, the Group disposed of its 33.3% shareholding in Smart Technologies Limited, a company involved in the provision of IT solutions and networking services, NewEra Marketing Limited changed its name to Eunoia Limited and NewEra Solutions Limited was amalgamated into PTL Limited. Furthermore, Alfacapital LLC was renamed to Ispot Premium Romania S.R.L.

During 2017, Harvest Technology Limited acquired 50% of the share capital of Poang Limited, a company which focuses on software application development. Poang Limited was incorporated in September 2016 by three founding members who are directly involved in the business operations. The company's initial project relates to the development of apps for fantasy sport games and their first product is a fantasy football game. Furthermore, in July 2017, Stride Technology Limited was incorporated to provide business applications including Enterprise Resource planning solutions and professional consultancy services.

Pursuant to a share transfer agreement dated 12 December 2017, the Company acquired Hili Logistics Limited for the consideration of €25.0 million, which was settled through the issuance of ordinary shares to the vendor (Hili Ventures Limited). As a result of the transaction, the Company has further diversified its business interests as described in more detail elsewhere in this report.

# 4. ISPOT

## 4.1 BUSINESS OVERVIEW

iSpot is principally engaged in the sale and distribution of Apple products in Poland, Hungary and Romania.

SAD Sp. z.o.o. ("**SAD**"), a subsidiary company, is Poland's largest Apple retailer and operates 26 stores under the iSpot brand (2016: 25 stores), together with a well-developed online proposition. As an Apple Premium Reseller and Apple Authorised Service Provider, SAD outlets carry a full range of Apple products, including software and accessories, and through its trained staff also offer support and repair services to customers regardless of where they originally purchased the Apple product. In addition to Apple solutions, iSpot stores offer an extensive range of third-party products and software.

SAD is also involved in turnkey solutions for business customers, and its services comprise the design and construction of networks, data security, and the supply of hardware and software. Moreover, as a certified Apple Authorised Training Centre, SAD has since incorporation participated in numerous projects relating to the implementation of Apple technology in higher education.

Through a joint venture with Maltese trading group VJ Salomone, the Group operates, under the iCentre Brand, 4 stores in Hungary and a store in Bucharest, Romania. Pursuant to the execution of a framework agreement in Q4 2016, Ispot Premium Romania S.R.L. (the operator of the Romanian store) became a fully owned subsidiary of iSpot.

iSpot intends to maximise the potential of the Apple retail operation in Poland, which is the eighth largest economy in the EU and is the sixth most populous member of the EU. Moreover, iSpot is also committed to expanding its Apple reseller operations in Romania.

## 4.2 OPERATIONAL PERFORMANCE

The following table sets out the highlights of iSpot's operating performance for the years indicated therein.

| **iSpot Holdings B.V. Consolidated Income Statement for the year ended 31 December** | **2015 Actual €'000** | **2016 Actual €'000** | **2017 Actual €'000** | **2018 Forecast €'000** | **2019 Projection €'000** |
|---|---|---|---|---|---|
| Revenue | 115,600 | 76,215 | 84,449 | 99,985 | 110,299 |
| Net operating expenses | (109,936) | (73,001) | (82,000) | (96,639) | (106,015) |
| **EBITDA[1]** | **5,664** | **3,214** | **2,449** | **3,346** | **4,284** |
| Depreciation and amortisation | (1,002) | (1,363) | (1,250) | (1,230) | (792) |
| Other net income | 144 | 56 | 162 | - | - |
| Net finance (costs)/ income | (2,643) | (1,692) | (753) | (419) | 84 |
| **Profit before tax** | **2,163** | **215** | **608** | **1,697** | **3,576** |
| Taxation | (827) | 13 | (312) | (532) | (841) |
| **Profit after tax** | **1,336** | **228** | **296** | **1,165** | **2,735** |

[1] *Earnings before interest, taxation, depreciation and amortisation*

*Source: Management information.*

| Key Accounting Ratios | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| Revenue growth<br>*(revenue FY1 / revenue FY0)* | n/a | -34% | 11% | 18% | 10% |
| Operating profit margin<br>*(EBITDA / revenue)* | 5% | 4% | 3% | 3% | 4% |
| Net profit margin<br>*(profit after tax / revenue)* | 1.2% | 0.3% | 0.4% | 1.2% | 2.5% |

*Source: Charts Investment Management Limited*

In **FY2015**, iSpot generated revenue amounting to €115.6 million (FY2014: €57.5 million from 1 July to 31 December 2014), and primarily comprised retail sales through 24 outlets in Poland and sales of electronic goods within the corporate sector (B2B) across a number of European countries. For a number of reasons, including a change in VAT regulations as well as the risks associated with cross border sales of technology items, management decided to cease the export wholesale activity within the B2B operations which in FY2015 totalled €34.8 million.

EBITDA in FY2015 amounted to €5.7 million (FY2014: €2.4 million, for the six month period since acquisition date), and after accounting for depreciation & amortisation, other net income, net finance costs and taxation, iSpot registered a profit after tax of €1.3 million (FY2014: €0.6 million).

Revenue for the year ended 31 December **2016** amounted to €76.2 million, and represents a decline of €4.6 million when compared to €80.8 million (which excludes €34.8 million B2B revenue described above) generated in FY2015. Reflective of the decrease in revenue, EBITDA was lower by €2.5 million from €5.7 million in FY2015 to €3.2 million in FY2016. After excluding EBITDA generated from the B2B transactions of €1.9 million, the y-o-y decline amounted to €0.6 million. As a consequence, iSpot registered a significant decrease in profit after tax of €1.1 million from €1.3 million in FY2015 to €0.2 million in FY2016.

In **FY2017**, revenue increased by 10.8% to €84.4 million (FY2016: €76.2 million), representing a y-o-y increase of €8.2 million. During the year, iSpot relocated 2 stores and opened 1 new store. Notwithstanding the revenue growth, net operating expenses increased at a higher rate of 12.3%, which adversely impacted EBITDA. As such, EBITDA decreased by €0.8 million from €3.2 million in FY2016 to €2.4 million in FY2017, and the operating profit margin declined from 4% in FY2016 to 3% in FY2017. The significant decrease in net finance costs of 55.5% to €0.75 million in FY2017 contributed to a higher profit after tax in FY2017, which increased from €0.2 million in FY2016 to €0.3 million.

For the projected financial years ending 31 December **2018** and 31 December **2019**, iSpot expects to increase revenue by €15.5 million (+18.4%) and €10.3 million (+10.3%) in each of the afore-stated years and consequently projects to generate income of €100.0 million and €110.3 million respectively. Management believes this is achievable by increasing focus on the development of people and retail strategies in existing stores, and relocating underperforming stores. EBITDA is forecasted to increase from €2.4 million in FY2017 to €3.3 million in FY2018 and to €4.3 million in FY2019. During the forward years, net finance costs is expected to reduce further and in FY2019 is projected to amount to an income of €84,000. Overall, profit after tax is projected to increase from €0.3 million in FY2017 to €1.2 million in FY2018 and €2.7 million in FY2019.

### 4.3 COMPETITION AND TRENDS

The market in Poland, Hungary and Romania for Apple products and services is highly competitive. As with other developed markets, the market is characterised by frequent product introductions and rapid technological advances that have substantially increased the capabilities and use of mobile communication and media devices, personal computers, and other digital electronic devices. The iSpot Group competes with other resellers of Apple products and services, and therefore competing factors include mainly price of products, as well as location of stores, quality of service provided and share of the business-to-business market. iSpot's other competitors, which sell Apple products as well as other mobile devices and personal computers based on other operating systems, typically undertake aggressive price cuts and lower their product margins to gain or maintain market share. The challenge of the Apple Premium Reseller stores is to differentiate the total service experience beyond the product. Apple is, however, designing new ways to expand the business generated from its retail platforms beyond the current B2C activity, which will definitely create growth opportunities for the company's already strong portfolio in the market.

iSpot is highly dependent on Apple to continuously introduce new and improved products and services ahead of competitors so as to maintain high demand for Apple offerings. Principal competitive factors important to the iSpot Group include price, product features, relative price/performance, product quality and reliability, design innovation, a strong third-party software and peripherals ecosystem, marketing and reselling capability, service and support, and corporate reputation.

## 5. HARVEST

### 5.1 BUSINESS OVERVIEW

The activities of Harvest Technology Limited ("**Harvest**") primarily focus on delivering business solutions and e-commerce systems to diverse clients in Malta, parts of Europe and North Africa. Harvest's main operating companies include: PTL Limited ('PTL'), APCO Systems Limited ('APCO Systems'), Apco Limited ('APCO'), and as from 2017, Stride Technology Limited ("**Stride**") and Eunoia Limited ("**Eunoia**").

**PTL** is a multi-brand information technology solutions provider to businesses and the public sector in Malta. PTL provides comprehensive and integrated solutions for its customers' technology needs through the company's extensive hardware, software and value-added service offerings. The breadth of offerings allows customers to streamline their procurement processes by partnering with PTL in the provision of a large part of their technology stack. The company's hardware offerings include products from leading brands across multiple categories such as networking, data storage solutions, desktops and banking automation products amongst others. Software offerings include licensing, licensing management and bespoke software solutions and services that help customers optimise their software investments. PTL offers a full suite of value-added services, which typically are delivered as part of a technology solution, to help customers meet their specific needs.

Solutions range from configuration services for computer devices to fully integrated solutions such as virtualisation, collaboration, information security, application integration and migration, mobility and cloud computing. With broad technical scope and capabilities, PTL offers a single point of reference for its clients' diverse IT requirements, which involves assessing, designing, deploying and managing IT solutions to help customers enable, manage and secure their IT environments.

In January 2017, the security solutions division within PTL was migrated to APCO , a move which gave PTL more focus on its core products and lines of business. Furthermore, the business applications and business analytics and intelligence offerings were transferred to two separate focused businesses, namely, Stride Technology Limited and Eunoia Limited. This move will allow PTL to focus on developing the two main areas of business that will underpin its future: (i) networking, integration and hardware solutions; and (ii) product engineering.

PTL's business is well-diversified across customers, products and service offerings and vendors from whom it purchases products and software for resale. The company has aligned its sales and marketing functions around customer channels to retain and increase sales to existing customers and to acquire new customers. The direct selling personnel are supported by a team of technology specialists who design solutions and provide recommendations in the selection and procurement processes. Products are purchased for resale from original equipment manufacturers (OEMs) and distributors. Management maintains that effective purchasing from a diverse vendor base is a key element of the company's business strategy. PTL is authorised by OEMs to sell all or selected products offered by the manufacturer, and operates as a reseller for major software publishers that allows the end-user customer to acquire packaged software or licensed products and services.

PTL has three main revenue segments, as follows:

- **Products** – relates to the sale of hardware and licences.
- **Maintenance and support** – relates to ongoing agreements with customers for servicing and maintenance of products sold. Agreements are typically renewed on an annual basis and the value is determined on a pre-set minimum number of hours at pre-agreed rates.
- **Services** – this revenue stream encompasses all other services provided outside of the standard service and maintenance agreements. A key component of this area is software engineering and development of system integrators.

**APCO Systems** is a payments solutions provider offering e-commerce processing services for retailers and internet-based merchants. It operates a payment platform under the brand name 'APCOPAY'.

The primary business model of APCO Systems is to enable merchants to accept a variety of card and various alternative payment options on their respecting e-commerce portals and applications. The term "merchant" generally refers to any entity that accepts credit or debit cards for the payment of goods and services.

Card-based payment forms consist of credit, debit, vouchers and prepaid cards. Credit and debit card transaction processing includes the processing of major international card brands such as MasterCard and Visa, as well as other debit networks. Electronic payment processing involves a consumer or cardholder acquiring goods or services from a merchant and using a credit or debit card or other electronic method as the form of payment. APCOPAY is the pipe that enables customer transactions to reach the acquiring bank acting on behalf of the merchant.

APCO Systems' offerings include front-end authorisation processing, settlement and funding processing, full customer support, consolidated billing and statements, and online monitoring and reporting. APCO is PCI-DSS certified (Payment Card Industry Data Security Standards). The company's value proposition is to provide high quality, responsive, secure and full end-to-end service to all its customers.

**APCO Limited** is a supplier of a wide range of automation and security solutions catering to the banking, retail, fuel and other sectors. Its portfolio includes ATMs, point-of-sale terminals, plastic cards, deposit machines, currency exchanges, fuel payment systems and other cash-handling equipment. On the security front, APCO delivers an end-to-end product including intruder prevention and detection solutions and the core systems that help customers manage the infrastructure they deploy. APCO sells its products and services through multiple sales channels in Malta and internationally, and targets customers in many vertical markets. In 2017, APCO invested heavily in its people through training and in the near term is expected to achieve a higher operational performance and grow its business further.

**Stride Technology Limited** is a subsidiary of Harvest which was incorporated on 3 July 2017. The company was formed in order to transfer the business applications offering in PTL into a separate entity to achieve a more focused approach. In partnership with Access Group UK, Citixsys (through its main product iVend retail, Stride offers integrated business management software solutions, including financials, human resources, retail and distribution, supply chain, CRM and others. Stride provides guidance, product customisation and integration to support organisations to strengthen their technology capabilities as their business grows.

**Eunoia Limited** (previously known as NewEra Marketing Limited) was transferred from PTL Limited to Harvest on 22 July 2017, and the operations relating to business analytics and intelligence was accordingly transferred from PTL Limited to Eunoia. This company's employees include business analysts, software engineers and data scientists, and its business activities focus on three main offerings – a specialised solution for retail and distribution, tailor-made business intelligence platforms and CFOUR, a financial consolidation automation tool. Eunoia applies mathematical algorithms and software engineering industry standards to provide innovation to real business challenges.

## 5.2 BUSINESS DEVELOPMENT STRATEGY

Harvest aims to bring people together to share their skills, creativity, optimism and vision. Through entrepreneurship, ambition and opportunity, Harvest wants to create a space where companies with long-lasting ideas can gain access to resources and expertise that will help them define the right strategic footing to broaden their horizons and succeed.

Harvest's value is rooted in enabling the customers of the companies within its fold to do more, faster, more efficiently. The entities within the Group have helped many customers flourish thanks to the ideas, technologies and systems that have been implemented for them. As such, Harvest is passionate about supporting other technology companies to grow. Harvest is looking to partner ambitious founders to lead them to a brighter, prosperous future, driving the growth of the Group's value in the process.

## 5.3 OPERATIONAL PERFORMANCE

The following table sets out the highlights of Harvest's operating performance for the years indicated therein.

| **Harvest Technology Limited Consolidated Income Statement for the year ended 31 December** | **2015 Actual €'000** | **2016 Actual €'000** | **2017 Actual €'000** | **2018 Forecast €'000** | **2019 Projection €'000** |
|---|---|---|---|---|---|
| Revenue | 12,728 | 10,195 | 13,087 | 15,188 | 18,677 |
| Net operating expenses | (12,453) | (9,918) | (12,019) | (13,537) | (16,333) |
| **EBITDA[1]** | **275** | **277** | **1,068** | **1,651** | **2,344** |
| Depreciation and amortisation | (180) | (202) | (216) | (250) | (378) |
| Other net income | 64 | 303 | 74 | - | - |
| Net finance costs | (496) | (317) | (40) | (56) | (58) |
| **Profit/(loss) before tax** | **(337)** | **61** | **886** | **1,345** | **1,908** |
| Taxation | 10 | (242) | (556) | (467) | (796) |
| **Profit/(loss) after tax from continuing operations** | **(327)** | **(181)** | **330** | **878** | **1,112** |
| **Discontinued operations** | - | - | **(5)** | - | - |
| **Profit/(loss) for the year** | **(327)** | **(181)** | **325** | **878** | **1,112** |

[1] *Earnings before interest, taxation, depreciation and amortisation*

*Source: Management information.*

| Key Accounting Ratios | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| Revenue growth<br>*(revenue FY1 / revenue FY0)* | n/a | -20% | 28% | 16% | 23% |
| Operating profit margin<br>*(EBITDA / revenue)* | 2% | 3% | 8% | 11% | 13% |
| Net profit margin<br>*(profit after tax / revenue)* | -2.6% | -1.8% | 2.5% | 5.8% | 6.0% |

*Source: Charts Investment Management Limited*

During **FY2015**, Harvest generated revenue of €12.7 million, an increase of €4.0 million when compared to the prior year. This y-o-y increase was primarily due to an increase in income at PTL of *circa* €2.6 million and the remaining balance was attributable to APCO, since FY2015 revenue covered a full year's performance whilst the comparative results referred to a 5-month period.

Harvest reported an EBITDA for the year under review of €0.3 million as compared to a loss of €0.5 million in FY2014. After accounting for depreciation, other income and net finance costs, Harvest incurred a loss before tax of €0.3 million as compared to a loss of €0.7 million in FY2014. Total comprehensive expense for FY2015 amounted to €0.3 million (FY2014: expense of €0.3 million).

In **FY2016**, Harvest generated revenue of €10.1 million, a decline of €2.5 million (-20%) when compared to a year earlier. During the reviewed period, PTL reported a y-o-y decline in revenue of €3.4 million, which was partly mitigated by a y-o-y increase in revenue at APCO Systems and APCO of €0.8 million. The decrease in revenue was mainly due to:

- Management's resolution to terminate PTL's operations in the Middle East with effect from March 2016; and
- Management's drive to focus on core business which generates better returns through higher margins.

EBITDA for FY2016 was in line with FY2015's figure of €0.3 million. After factoring in depreciation & amortisation, other net income and finance costs, Harvest reported a minimal profit before tax of €61,000 (FY2015: loss before tax of €0.3 million). Total comprehensive expense for FY2016 amounted to €0.2 million (FY2015: expense of €0.3 million).

During FY2016, management undertook a complete restructuring of Harvest to improve sales performance and strengthen internal processes (including cost control measures and billing procedures). This exercise comprised a re-focus of the business model, revenue streams and target markets. Harvest has also devised a strategy to expand the business through acquisitions and other growth opportunities.

Revenue in **FY2017** increased by €2.9 million (28%) from the prior year and amounted to €13.1 million. There was a lesser increase in net operating expenses of €2.1 million (21%), which resulted in a significant increase in EBITDA of €0.8 million to €1.1 million as compared to €0.3 million in FY2016. After two consecutive years of losses, Harvest reported a profit after tax in FY2017 of €0.3 million.

Harvest is projecting to increase revenue by 16% in **FY2018** and 23% in **FY2019**, resulting in an increase of €2.1 million in FY2018 and a further €3.5 million in FY2019. EBITDA is anticipated to increase in FY2018 to €1.7 million (FY2017: €1.1 million), and thereafter increase by €0.7 million in FY2019 to €2.3 million. Profit after tax is forecasted to increase in FY2018 by €0.5 million to €0.9 million, and is projected to increase further in FY2019 to €1.1 million.

### 5.4 COMPETITION AND TRENDS

The IT hardware, software and services industry is very fragmented and highly competitive. PTL, Stride and Eunoia compete with a large number and wide variety of marketers and resellers of IT hardware, software and services. The competitive landscape in the industry is continually changing as various competitors expand their product and service offerings. In addition, emerging models such as cloud computing are creating new competitors and opportunities in business applications , infrastructure, security, collaboration and other services offerings, and, as with other areas, the above-mentioned companies resell and compete directly with many of these offerings.

The management of APCO Systems believes that electronic transactions will expand further in the future and that an increasing percentage of these transactions will be processed through emerging technologies. Competitors are continually offering innovative products and enhanced services, such as products that support smart phones that contain mobile wallet software. As mobile payments continue to evolve and are desired by merchants and consumers, APCO Systems will continue to develop new products and services that will leverage the benefits that these new technologies can offer customers. In addition, it is expected that new markets will develop in areas that have been previously dominated by paper-based transactions. Industries such as e-commerce, government, recurring payments and business-to-business should continue to see transaction volumes migrate to more electronic-based settlement solutions.

As such, the continued development of new products and services and the emergence of new vertical markets will provide opportunities for APCO to expand its business in the years to come.

## 6. HILI LOGISTICS

### 6.1 BUSINESS OVERVIEW

Hili Logistics ("**HL**") is principally engaged in air, road, sea and rail freight forwarding, clearances and deliveries, customs brokerage, parcel services, warehousing, ship agency, ship-to-ship operations and project cargo. An overview of HL's key companies and associates is provided hereunder:

- **Carmelo Caruana Company Ltd** (“**CCCL**”) is a Maltese company incorporated in 1988 and operates in the shipping and logistics industry, offering *inter alia* freight forwarding, air freight, trampers and ship-to-ship operation and documentation and delivery services.

- **Carmelo Caruana Freeport Operations Limited** (“**CCFO**”) specialises in the transhipment and cross-stuffing of merchandise, providing a full range of sea, land and air services. Furthermore, the company offers storekeeping and warehousing of sea and air cargo at the Malta Freeport.

- **Global Parcels Limited** (“**GPL**”) is principally involved in the provision of international document and parcel delivery services, including air freight to European, American and the Asian-Pacific regions, and can handle express courier shipments to more than 220 countries.

- **Allcom Sp. z.o.o.** (**“Allcom”**) was established in 1995 and is an intermodal freight forwarding company and customs agency in Poland. The core business activity focuses on sea, road and rail transportation and port services. In addition, Allcom provides ancillary services such as warehousing and customs agency services. The main sectors serviced by Allcom include the food, chemical and construction material industries.

- **CMA CGM Malta Agency Ltd** (**“CMA”**) – HL has a 49% interest in CMA, with the remaining 51% being held by CMA CGM Agencies Worldwide. CMA is a local liner agent for CMA CGM, the world’s third largest shipping line.

- **Peterson Malta Limited** (**“Peterson”**) – Peterson Offshore Group BV and HL set up a 50/50 joint venture through the incorporation of Peterson. The company serves oil and gas clients in the Mediterranean and in North Africa, with specialist supply base services, warehousing and logistics management, procurement and recruitment from Peterson’s permanent base in Malta.

## 6.2 BUSINESS DEVELOPMENT STRATEGY

The Board of Directors has a strategy to grow HL through the development of its current core activities and, in particular, endeavours to add new geographic territories, enhance the current base of customers, and/or add new services.

With the recent acquisition of Allcom, HL is looking to expand its global reach by using current knowledge and range of services to grow a proven and successful business. Allcom and CCCL shall continue to exploit synergies, collaborate on projects and attract new clients by utilising existing logistical contacts and supply chains.

## 6.3 OPERATIONAL PERFORMANCE

The following table sets out the highlights of HL's operating performance for the years indicated therein.

| Hili Logistics Limited Consolidated Income Statement<br>for the year ended 31 December | 2017<br>Actual<br>€'000 | 2018<br>Forecast<br>€'000 | 2019<br>Projection<br>€'000 |
|---|---|---|---|
| Revenue | 23,020 | 21,297 | 26,166 |
| *Operations in Malta* | *6,438* | *6,888* | *10,182* |
| *Operations in Poland* | *16,582* | *14,409* | *15,984* |
| Net operating expenses | (21,577) | (19,726) | (24,084) |
| **EBITDA**[1] | **1,443** | **1,571** | **2,082** |
| Depreciation and amortisation | (173) | (169) | (189) |
| Other net income | 134 | 30 | 27 |
| Impairment of goodwill | (2,023) | - | - |
| Net finance costs | (535) | (133) | (168) |
| **Profit/(loss) before tax** | **(1,154)** | **1,299** | **1,752** |
| Taxation | (339) | (376) | (489) |
| **Profit/(loss) after tax** | **(1,493)** | **923** | **1,263** |

[1] *Earnings before interest, taxation, depreciation and amortisation*

*Source: Management information.*

| Key Accounting Ratios | 2017 | 2018 | 2019 |
|---|---|---|---|
| Revenue growth<br>*(revenue FY1 / revenue FY0)* | n/a | -3% | 6% |
| Operating profit margin<br>*(EBITDA / revenue)* | 6% | 7% | 8% |
| Net profit margin<br>*(profit after tax / revenue)* | -5.5% | 4.2% | 4.8% |

*Source: Charts Investment Management Limited*

**HL was acquired by the Group in December 2017. As such, the financial information for FY2017 has been included for comparison purposes only.**

In **FY2017**, HL reported a turnover of €23.0 million, of which, 72% was generated from its Polish operations (Allcom). EBITDA amounted to €1.4 million, representing a margin of 6% of revenue. During the year, the company registered an impairment charge on goodwill of €2.0 million in relation to its Malta operations. After accounting for net finance costs of €0.5 million, depreciation of €0.2 million and tax change of €0.3 million, the loss for the year amounted to €1.5 million.

HL is projecting a decline in revenue of 8% for **FY2018** when compared to the prior year, mainly due to lower revenue projected for Allcom. The Polish company's revenue is relatively dependent on large contracts which tend to fluctuate from one year to another. Management is thereby projecting that Allcom will not manage to secure a contract similar in scale to that won in FY2017. The Malta business is assumed to grow by 7% from €6.4 million in FY2017 to €6.9 million in FY2018. EBITDA for the year is expected to increase by 9% to €1.6 million. In FY2018, net borrowings are expected to decrease substantially which in turn will result in a considerable reduction in net finance costs of €0.4 million (y-o-y) to €0.1 million. Profit after tax is projected at €0.9 million (FY2017: loss of €1.5 million).

Revenue generated in **FY2019** is projected to increase by €4.9 million (y-o-y) to amount to €26.2 million, on account of business development efforts by HL's management team. EBITDA margin is expected to improve by one percentage point to 8% and EBITDA is projected to amount to €2.1 million (FY2018: €1.6 million). Profit after tax is projected to increase by €0.3 million (+37%) from €0.9 million in FY2018 to €1.3 million in FY2019.

## 6.4 COMPETITION AND TRENDS

The logistics services industry is intensely competitive and is expected to remain so for the foreseeable future. There are a large number of companies competing in one or more segments of the industry, and a more limited number of firms with a global network that offer a full complement of logistics services. Furthermore, there are new technology-based competitors entering the industry. Many of these competitors have significantly more resources than HL. Depending on the location of the shipper and the importer, HL must compete against both the niche players and larger entities. The industry continues to experience consolidations into larger firms aiming for stronger and more complete multinational and multi-service networks. However, regional and local competitors still maintain a strong market presence in certain areas.

The primary competitive factors in the logistics services industry continue to be price and quality of service, including reliability, responsiveness, expertise, convenience, and scope of operations. HL emphasises quality customer service and is focused on optimising operations so as to maintain competitive prices over others in the industry.

# PART 2 – GROUP PERFORMANCE REVIEW

## 7. FINANCIAL INFORMATION

**The projected financial statements detailed below relate to events in the future and are based on assumptions which the Group believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material.**

The following financial information is extracted from the audited consolidated financial statements of 1923 Investments p.l.c. (the "Company") for the financial years ended 31 December 2015 to 2017. The financial information for the years ending 31 December 2018 and 31 December 2019 has been provided by Group management.

| **1923 Investments p.l.c. Group Income Statement for the year ended 31 December** | **2015 Actual €'000** | **2016 Actual €'000** | **2017 Actual €'000** | **2018 Forecast €'000** | **2019 Projection €'000** |
|---|---|---|---|---|---|
| Revenue | 128,344 | 86,421 | 97,535 | 136,470 | 155,142 |
| Net operating expenses | (121,744) | (82,100) | (93,276) | (129,919) | (146,438) |
| **EBITDA[1]** | **6,600** | **4,321** | **4,259** | **6,551** | **8,704** |
| Depreciation and amortisation | (1,260) | (1,588) | (1,795) | (1,648) | (1,359) |
| Share of results of associates & jointly controlled entities | (54) | (5) | (231) | 244 | 313 |
| Impairment of goodwill | - | - | - | - | - |
| Other income | - | 21 | 219 | - | - |
| Net finance costs | (2,662) | (2,737) | (2,518) | (2,522) | (2,073) |
| **Profit/(loss) before tax** | **2,624** | **12** | **(66)** | **2,625** | **5,585** |
| Taxation | (974) | (531) | (608) | (1,430) | (2,189) |
| **Profit/(loss) after tax from continuing operations** | **1,650** | **(519)** | **(674)** | **1,195** | **3,396** |
| Loss for the year from discontinued operations | (434) | (233) | (5) | - | - |
| **Profit/(loss) for the year** | **1,216** | **(752)** | **(679)** | **1,195** | **3,396** |
| | | | | | |
| **Other comprehensive income** | | | | | |
| Exchange differences on translating foreign operations | 243 | (1,065) | 2,190 | - | - |
| **Totel comprehensive income/(expense)** | **1,459** | **(1,817)** | **1,511** | **1,195** | **3,396** |

[1] *Earnings before interest, taxation, depreciation and amortisation*

*Source: Management information.*

| 1923 Investments p.l.c. Group Balance Sheet<br>for the year ended 31 December | 2015<br>Actual<br>€'000 | 2016<br>Actual<br>€'000 | 2017<br>Actual<br>€'000 | 2018<br>Forecast<br>€'000 | 2019<br>Projection<br>€'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Goodwill and other intangibles | 40,953 | 40,142 | 68,726 | 68,978 | 69,183 |
| Property, plant and equipment | 4,423 | 5,056 | 7,874 | 7,203 | 6,413 |
| Investments in associates and joint ventures | 352 | 401 | 1,219 | 1,463 | 1,219 |
| Loans and receivables | 1,020 | 380 | 6,476 | 6,892 | 6,476 |
| Deferred tax asset | 678 | 829 | 1,101 | 1,432 | 2,337 |
| | **47,426** | **46,808** | **85,396** | **85,968** | **85,628** |
| **Current assets** | | | | | |
| Inventory | 9,020 | 8,784 | 12,409 | 9,670 | 10,345 |
| Trade and other receivables | 8,500 | 10,133 | 15,670 | 13,002 | 14,228 |
| Other current assets | 3,508 | 2,093 | 1,784 | 3,937 | 5,716 |
| Cash and cash equivalents | 2,089 | 3,893 | 3,231 | 10,276 | 13,878 |
| | **23,117** | **24,903** | **33,094** | **36,885** | **44,167** |
| **Total assets** | **70,543** | **71,711** | **118,490** | **122,853** | **129,795** |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity** | | | | | |
| Share capital | 8,400 | 8,400 | 35,575 | 49,575 | 49,575 |
| Reserves | (1,808) | (3,649) | (1,864) | (1,631) | 603 |
| **Equity and reserves** | **6,592** | **4,751** | **33,711** | **47,944** | **50,178** |
| **Liabilities** | | | | | |
| **Non-current liabilities** | | | | | |
| Borrowings and bonds | 43,204 | 41,638 | 49,586 | 42,028 | 41,858 |
| Other non-current liabilities | 1,126 | 1,112 | 2,085 | 3,850 | 6,982 |
| | **44,330** | **42,750** | **51,671** | **45,878** | **48,840** |
| **Current Liabilities** | | | | | |
| Borrowings and bonds | 2,142 | 4,585 | 6,414 | 586 | 444 |
| Other current liabilities | 17,479 | 19,625 | 26,694 | 28,445 | 30,333 |
| | **19,621** | **24,210** | **33,108** | **29,031** | **30,777** |
| **Total equity and liabilities** | **70,543** | **71,711** | **118,490** | **122,853** | **129,795** |

| 1923 Investments p.l.c. Group Cash Flow Statement for the year ended 31 December | 2015 Actual €'000 | 2016 Actual €'000 | 2017 Actual €'000 | 2018 Forecast €'000 | 2019 Projection €'000 |
|---|---|---|---|---|---|
| Net cash from operating activities | 5,890 | 2,001 | (367) | 9,789 | 7,867 |
| Net cash from investing activities | (9,634) | 845 | 654 | (1,228) | (3,401) |
| Net cash from financing activities | (2,252) | (1,698) | (1,336) | (484) | (774) |
| **Net movement in cash and cash equivalents** | **(5,996)** | **1,148** | **(1,049)** | **8,077** | **3,692** |
| Cash and cash equivalents at beginning of year | 8,006 | 2,010 | 3,158 | 2,109 | 10,186 |
| **Cash and cash equivalents at end of year** | **2,010** | **3,158** | **2,109** | **10,186** | **13,878** |

| Key Accounting Ratios | 2015 Actual | 2016 Actual | 2017 Actual | 2018 Forecast | 2019 Projection |
|---|---|---|---|---|---|
| Operating profit margin *(EBITDA/revenue)* | 5% | 5% | 4% | 5% | 6% |
| Interest cover (times) *(EBITDA/net finance cost)* | 2.48 | 1.58 | 1.69 | 2.60 | 4.20 |
| Net profit margin *(Profit after tax/revenue)* | 1% | -1% | -1% | 1% | 2% |
| Earnings per share (€) *(Profit after tax/number of shares)* | 0.14 | -0.09 | -0.02 | 0.02 | 0.07 |
| Return on equity *(Profit after tax/shareholders' equity)* | 18% | -16% | -2% | 2% | 7% |
| Return on capital employed *(Operating profit/total assets less current liabilities)* | 13% | 9% | 5% | 7% | 9% |
| Return on assets *(Profit after tax/total assets)* | 2% | -1% | -1% | 1% | 3% |

*Source: Charts Investment Management Service Limited*

**FY2015** was the first full operational year for SAD and APCO, which were acquired in July 2014 and August 2014 respectively. During the said year, the Group generated revenue amounting to €128.3 million and EBITDA of €6.6 million. Material deductions included depreciation and net finance costs amounting to €1.3 million and €2.7 million respectively, which led to a profit before tax of €2.6 million. Loss from discontinued operations of €0.4 million reflects the financial result from operations in the Middle East which was discontinued in 2016. The Group reported a profit after tax in FY2015 of €1.2 million and after accounting for exchange differences of €0.2 million, total comprehensive income amounted to €1.5 million.

In **FY2016**, the Group registered a decline in revenue and EBITDA of €41.9 million and €2.3 million, principally due to the cessation of B2B operations at iSpot, as described in further detail in section 4.2 of this report. The operations of Harvest also recorded a y-o-y decrease in revenue of €2.5 million, but movement in EBITDA was unchanged.

As a consequence, the Group incurred a loss after tax from continuing operations amounting to €0.5 million. The consolidated income statement was further impacted by a loss of €0.2 million from discontinued operations in the Middle East and an adverse movement in exchange differences amounting to €1.1 million in relation to the retranslation of goodwill and intangible assets denominated in Polish Zloty. Overall, total comprehensive expense amounted to €1.8 million (FY2016: income of €1.5 million).

Revenue for **FY2017** amounted to €97.5 million, an increase of €11.1 million when compared to revenue of €86.4 million in FY2016. Over 70% of the aforesaid increase was generated by SAD. EBITDA for the year decreased by €0.06 million (-1%) to €4.26 million (FY2016: €4.32 million). The Group reported comprehensive income for the year of €1.5 million (FY2016: expense of €1.8 million), which was largely due to a positive exchange difference on foreign operations denominated in Polish Zloty of €2.2 million.

As stated in section 3 of this report, Hili Logistics was acquired by the Group on 12 December 2017 and therefore, the operating results of HL will be reflected in the Group financial statements as of FY2018. Assuming Hili Logistics was acquired on 1 January 2017 (“pro forma”), revenue generated would have been €120.6 million. After taking various measures to re-establish operational growth at iSpot and Harvest, the Group is forecasting a 13% increase in revenue from €120.6 million in FY2017 to €136.5 million in FY2018, with a further increase of 14% being projected in FY2019 to €155.1 million. Pro forma EBITDA is projected to increase by 16% in FY2018 to €6.6 million, (from €5.7 million in FY2017), and is expected to grow further by 33% in FY2019 to register an EBITDA of €8.7 million. Overall, the Group expects to generate an annual profit after tax of €1.2 million in FY2018 (FY2017 Pro forma: loss of €2.2 million), which is projected to increase to €3.4 million in FY2019. Assuming nil movement in exchange differences, the Group is projected to report total comprehensive income of €1.2 million and €3.4 million in FY2018 and FY2019 respectively.

Other than equity, the Group is principally financed through bank borrowings and debt securities, analysed as follows:

| **1923 Investments p.l.c. Group Borrowings as at 31 December** | **2015 Actual €’000** | **2016 Actual €’000** | **2017 Actual €’000** | **2018 Forecast €’000** | **2019 Projection €’000** |
|---|---|---|---|---|---|
| Bank loans | 9,343 | 7,645 | 10,642 | - | - |
| Other financial liabilities | 651 | 2,489 | 2,801 | 1,098 | 706 |
| Bank overdrafts | 79 | 735 | 1,122 | 90 | - |
| 5.1% Unsecured Bonds 2024 | 35,273 | 35,354 | 35,435 | 35,516 | 35,596 |
| **Total borrowings and bonds** | **45,346** | **46,223** | **50,000** | **36,704** | **36,302** |

| Key Accounting Ratios | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| Net assets per share (€)<br>*(Net asset value/number of shares)* | 0.78 | 0.57 | 0.95 | 0.97 | 1.01 |
| Liquidity ratio (times)<br>*(Current assets/current liabilities)* | 1.18 | 1.03 | 1.00 | 1.27 | 1.44 |
| Gearing ratio<br>*(Net debt/net debt and shareholders' equity)* | 87% | 90% | 58% | 36% | 31% |

*Source: Charts Investment Management Service Limited*

## VARIANCE ANALYSIS

| 1923 Investments p.l.c. Group Income Statement<br>for the year ended 31 December | 2017<br>Actual<br>€'000 | 2017<br>Projection<br>€'000 | Variance<br>€'000 |
|---|---|---|---|
| Revenue | 97,535 | 107,599 | (10,064) |
| Net operating expenses | (93,276) | (102,578) | 9,302 |
| **EBITDA** | **4,259** | **5,021** | **(762)** |
| Depreciation | (1,795) | (1,494) | (301) |
| Share of results of associates & jointly controlled entities | (231) | 65 | (296) |
| Other income | 219 | - | 219 |
| Net finance costs | (2,518) | (2,498) | (20) |
| **Profit before tax** | **(66)** | **1,094** | **(1,160)** |
| Taxation | (608) | (253) | (355) |
| **Profit (loss) after tax from continuing operations** | **(674)** | **841** | **(1,515)** |
| Loss for the year from discontinued operations | **(5)** | **-** | **(5)** |
| **Profit (loss) after tax from continuing operations** | **(679)** | **841** | **(1,520)** |

As presented in the above table, the Group's revenue for FY2017 was lower than forecasted by €10.0 million (-9%), principally due to weaker than expected retail sales at iSpot. In consequence, actual EBITDA was lower by €0.8 million. The other income not projected for in FY2017 refers to a one-off item of €0.2 million, being negative goodwill written off which arose upon the acquisition of Hili Logistics Limited where the fair value of identifiable assets and liabilities acquired exceeded the consideration.

Overall, the Group incurred a loss for the year of €0.7 million, which is an adverse movement of €1.5 million when compared to the initially forecasted profit of €0.8 million.

## 8. RELATED PARTY DEBT SECURITIES

1923 Investments p.l.c. is a member of the Hili Ventures Group. Within the same group, Premier Capital p.l.c. and Hili Properties p.l.c., both sister companies of 1923 Investments p.l.c., have the following outstanding debt securities:

| Security ISIN | Security Name | Amount Listed | Currency |
|---|---|---|---|
| MT0000511213 | 3.75% Premier Capital plc 2026 | 65,000,000 | EUR |
| MT0000941204 | 4.5% Hili Properties plc 2025 | 37,000,000 | EUR |

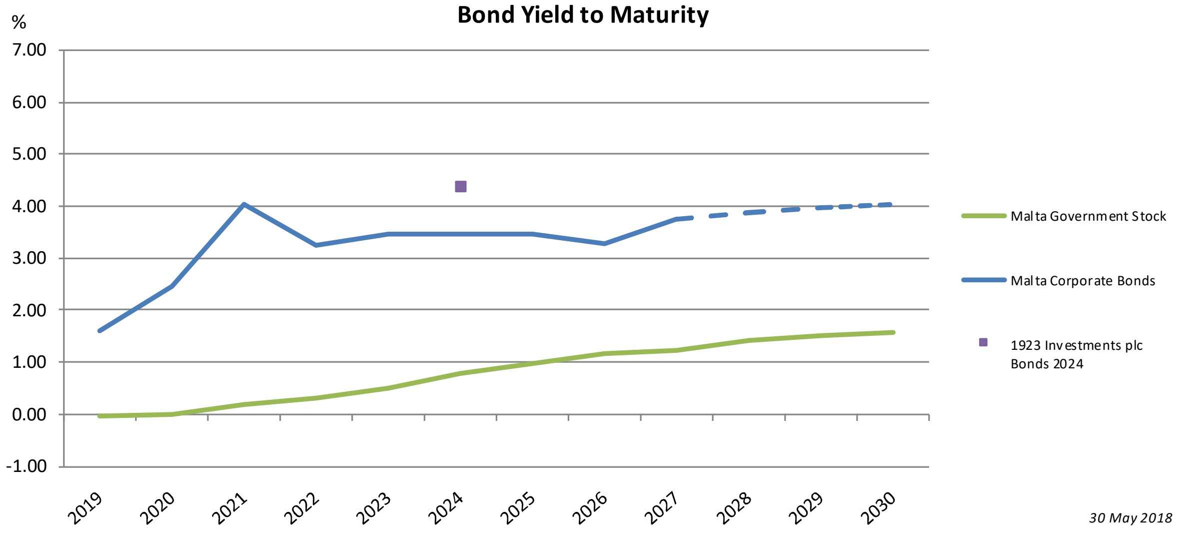
# PART 3 – COMPARABLES

The table below compares the Company and its bond issue to other debt issuers listed on the Malta Stock Exchange and their respective debt securities. Although there are significant variances between the activities of the Company and other issuers (including different industries, principal markets, competition, capital requirements etc), and material differences between the risks associated with the Company's business and that of other issuers, the comparative analysis provides an indication of the financial performance and strength of the Company.

| Comparative Analysis | Nominal Value (€) | Yield to Maturity (%) | Interest Cover (times) | Total Assets (€'000) | Net Asset Value (€'000) | Gearing Ratio (%) |
|---|---|---|---|---|---|---|
| 5.5% Pendergardens Dev. plc Secured € 2020 Series I | 15,000,000 | 2.44 | 6.29 | 68,589 | 14,418 | 66.04 |
| 6% Pendergardens Dev. plc Secured € 2022 Series II | 27,000,000 | 3.23 | 6.29 | 68,589 | 14,418 | 66.04 |
| 4.25% Gap Group plc Secured € 2023 | 40,000,000 | 3.47 | 2.61 | 56,906 | 6,696 | 85.08 |
| 5.3% United Finance Plc Unsecured € Bonds 2023 | 8,500,000 | 4.14 | 1.19 | 21,625 | 4,844 | 69.04 |
| 6% AX Investments Plc Unsecured € 2024 | 40,000,000 | 3.47 | 4.44 | 286,318 | 173,323 | 26.09 |
| 5.3% Mariner Finance plc Unsecured € 2024 | 35,000,000 | 3.45 | 4.42 | 77,088 | 38,701 | 45.62 |
| 5% Hal Mann Vella Group plc Secured Bonds € 2024 | 30,000,000 | 3.74 | 3.05 | 107,801 | 39,813 | 54.01 |
| **5.1% 1923 Investments plc Unsecured € 2024** | **36,000,000** | **4.38** | **1.69** | **118,490** | **33,711** | **58.11** |
| 4.5% Hili Properties plc Unsecured € 2025 | 37,000,000 | 3.47 | 1.26 | 135,879 | 39,974 | 68.23 |
| 4.25% Corinthia Finance plc Unsecured € 2026 | 40,000,000 | 3.51 | 2.59 | 1,765,072 | 901,595 | 40.43 |
| 4.0% International Hotel Invest. plc Secured € 2026 | 55,000,000 | 3.43 | 3.03 | 1,602,317 | 884,632 | 36.36 |
| 4.0% MIDI plc Secured € 2026 | 50,000,000 | 3.28 | - 0.98 | 235,302 | 86,621 | 39.27 |
| 3.75% Premier Capital plc € Unsecured Bonds 2026 | 65,000,000 | 3.12 | 7.90 | 161,128 | 47,607 | 57.32 |
| 4.35% Hudson Malta plc Unsecured 2026 | 12,000,000 | 3.63 | 39.11 | 17,088 | 5,835 | 30.63 |
| 4.35% SD Finance plc € Unsecured Bonds 2027 | 65,000,000 | 3.74 | 5.46 | 217,599 | 65,698 | 47.74 |
| 4.0% Eden Finance plc Unsecured 2027 | 40,000,000 | 3.46 | 4.46 | 169,936 | 90,162 | 36.52 |
| 4% Stivala Group Finance plc Secured 2027 | 45,000,000 | 3.40 | 6.21 | 199,560 | 121,041 | 31.54 |

*30 May '18*

*Source: Malta Stock Exchange, Audited Accounts of Listed Companies, Charts Investment Management Service Limited*




To date, there are no corporate bonds which have a redemption date beyond 2027 and therefore a trend line has been plotted (denoted in the above chart by the dashed line). The Malta Government Stock yield curve has also been included since it is the benchmark risk-free rate for Malta.

# PART 4 – EXPLANATORY DEFINITIONS

| | |
|---|---|
| **Income Statement** | |
| Revenue | Total revenue generated by the Group from its business activities during the financial year, including IT hardware, software, consultancy, logistics and related services. |
| Net operating expenses | Net operating expenses include the cost of products, labour expenses, and all other direct expenses. |
| EBITDA | EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. EBITDA can be used to analyse and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions. |
| Share of results of joint ventures | The Group owns minority stakes in a number of companies (less than 50% plus one share of a company's share capital). The results of such companies are not consolidated with the subsidiaries of the Group, but the Group's share of profit is shown in the profit and loss account under the heading 'share of results of associates and jointly controlled entities'. |
| Profit after tax | Profit after tax is the profit made by the Group during the financial year both from its operating as well as non-operating activities. |
| **Profitability Ratios** | |
| Operating profit margin | Operating profit margin is operating income or EBITDA as a percentage of total revenue. |
| Net profit margin | Net profit margin is profit after tax achieved during the financial year expressed as a percentage of total revenue. |
| **Efficiency Ratios** | |
| Return on equity | Return on equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing profit after tax by shareholders' equity. |
| Return on capital employed | Return on capital employed (ROCE) indicates the efficiency and profitability of a company's capital investments, estimated by dividing operating profit by capital employed. |
| Return on Assets | Return on assets (ROA) is computed by dividing profit after tax by total assets. |
| **Equity Ratios** | |

| | |
|---|---|
| Earnings per share | Earnings per share (EPS) is the amount of earnings per outstanding share of a company's share capital. It is computed by dividing net income available to equity shareholders by total shares outstanding as at balance sheet date. |
| **Cash Flow Statement** | |
| Cash flow from operating activities | Cash generated from the principal revenue-producing activities of the Company. |
| Cash flow from investing activities | Cash generated from the activities dealing with the acquisition and disposal of long-term assets and other investments of the Company. |
| Cash flow from financing activities | Cash generated from the activities that result in change in share capital and borrowings of the Company. |
| **Balance Sheet** | |
| Non-current assets | Non-current asset are the Group's long-term investments, which full value will not be realised within the accounting year. Non-current assets are capitalised rather than expensed, meaning that the Group allocates the cost of the asset over the number of years for which the asset will be in use, instead of allocating the entire cost to the accounting year in which the asset was purchased. Such assets include goodwill and other intangible assets, property, plant & equipment and investments accounted for using the equity method. |
| Current assets | Current assets are all assets of the Group, which are realisable within one year from the balance sheet date. Such amounts include inventory, accounts receivable, cash and bank balances. |
| Current liabilities | All liabilities payable by the Group within a period of one year from the balance sheet date, and include accounts payable and short-term debt. |
| Net debt | Borrowings before unamortised issue costs less cash and cash equivalents. |
| Non-current liabilities | The Group's long-term financial obligations that are not due within the present accounting year. The Group's non-current liabilities include bank borrowings and bonds. |
| Total equity | Total equity includes share capital, reserves & other equity components, and retained earnings. |
| **Financial Strength Ratios** | |
| Liquidity ratio | The liquidity ratio (also known as current ratio) is a financial ratio that measures whether or not a company has enough resources to pay its debts over the next 12 months. It compares a company's current assets to its current liabilities. |

| | |
|---|---|
| Interest cover | The interest coverage ratio is calculated by dividing a company's EBITDA of one period by the company's interest expense of the same period. |
| Gearing ratio | The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance a company's assets, and is calculated by dividing a company's net debt by net debt plus shareholders' equity. |