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1923
INVESTMENTS

Company Announcement

The following is a Company Announcement issued by 1923 Investments p.l.c. (the "Company") in terms of Listing Rule 5.16.21 and 5.16.24 of the Listing Rules.

QUOTE

The Company announces that the Audited Consolidated Financial Statements for the financial year ended 31 December 2019 have been approved by the Board of Directors. A copy of the signed Audited Financial Statements are attached herewith and are also available for viewing on the Company's website https://www.1923investments.com/financial-statements/.

It is being announced that the Company closed the Financial Year ended 31 December 2019 with a consolidated profit before tax of €3,042,000 despite a consolidated loss before tax of €17,000 was projected in the Financial Analysis Summary published in June 2019. The Company closed the Financial Year ended 31 December 2019 with a consolidated profit after tax of €1,606,000 although it had projected a consolidated profit after tax amounting to €59,000.

The variance arises mainly from the following events:

- During 2019, 1923 Investments plc sold 37% of the investment it holds in Harvest Technology plc, partly by an Initial Public Offer. Profit from the sale of shares in Harvest amounted to €5,882,000. This sale was not factored into the projections in the Financial Analysis Summary in June 2019.

- An impairment of €3,500,000 relating to the company's holdings in Hili Logistics Limited was accounted for during the year.

- Harvest Technology plc achieved a profit before tax of €3,036,000 compared to a projected profit before tax of €1,771,000 as per Financial Analysis Summary Report.

- The iSpot division achieved a profit before tax of €502,000 compared to a projected profit before tax of €735,000 as per Financial Analysis Summary Report.

UNQUOTE

BY ORDER OF THE BOARD

Dr. Melanie Miceli Demajo
Company Secretary

30 April 2020

1923 Investments p.l.c.

Report & Consolidated Financial Statements

31 December 2019

Company Registration Number: C 63261

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Directors' report

The directors present their report together with the audited financial statements of 1923 Investments p.l.c. (the Company) and the consolidated financial statements of the Group of which it is the parent, for the year ended 31 December 2019.

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 1 January 2018, the group was 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.

Significant events during 2019

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

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

Performance review – The Group

During the year under review, the Group registered an operating profit of € 3,214,614 (2018: € 1,281,785) on revenue of € 134,897,806 (2018: € 122,022,751). The Group registered a profit before tax of € 3,041,875 (2018: loss before tax of € 1,064,741).

The Group's net assets at the end of 2019 amounted to € 45,062,773 (2018: € 38,317,721). In 2019, the increase in Net Asset Value is mainly attributable to the increase in profitability by the various service lines and a gain made following the sale of shares at Harvest Technology p.l.c. ('Harvest'). The translation reserve had a positive impact of € 294,815 (2018: negative impact amounting to € 2,254,810) due to foreign exchange differences between the Polish Zloty and Euro. We also note that non-controlling interest increased from € 44,236 to € 3,835,897 as a result of the sale of 30% of the shares in Harvest to the public and the exercise of the option by a senior officer of one of the subsidiaries within the Group as disclosed in note 12.1. In 2018, the increase in Net Asset Value was mainly attributable to the increase of share capital amounting to € 14,000,000 and a decrease in the retained earnings due to a dividend uplift to the ultimate parent amounting to € 5,800,000.

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

Financial

The Group's current ratio ("current assets divided by current liabilities) currently stands at 1.2:1 (2018: 1.1:1). The Group uses this indicator as a measure of liquidity.

The Group measures its performance based on EBITDA. EBITDA is defined as the Group profit before depreciation, amortisation, net finance expense and taxes. During the year under review, EBITDA increased to € 11,161,368 from € 3,777,661.

The Group's EBITDA margin increased to 8.3% (2018: 3.1%).

The EBITDA for the current year of € 11,161,368 is not comparable to the reported figure of € 3,777,661 in 2018 since the Group has adopted IFRS 16 'Leases' for the first time with initial application being 1 January 2019. For comparability purposes only, the Group has therefore re-computed an adjusted 2019 EBITDA figure before the effect of IFRS 16 which amounts to € 3,757,395 and hence a corresponding EBITDA margin increase of 2.8%.

The return on average capital employed represents the profit on ordinary activities before finance costs and exceptional items but including share of results of joint ventures, divided by the average of opening and closing tangible net worth. The Company ensures that this capital is used as effectively as possible. The return on average capital employed increased from 3% to 4% during the year under review due to an increase in profitability.

The Group's gearing ratio has reduced to 32% (2018: 48%). Interest cover stands at 4.2 times compared to 1.3 times in 2018, a direct result of the increase in EBITDA.

Performance review – The Company as a stand-alone entity

As disclosed in note 3 to the financial statements, the iSpot Holdings BV was merged with 1923 Investments p.l.c. on 5 September 2018. As a consequence of this merger, the Company succeeded to all the assets, rights, liabilities and obligations of iSpot Holdings BV.

The Company earned revenue and investment income of € 1,035,833 and € 2,188,394 respectively (2018: revenue of € 1,080,000 and investment income of € 4,983,206). The Company registered a loss before tax of € 608,741 (2018: profit before tax of € 2,294,744). The net assets of the Company at the end of 2019 amounted to € 48,704,957 (2018: € 49,832,821).

Group performance review – non-financial

Customer satisfaction is constantly monitored within iSpot in Poland. The conversion rate, which measures the percentage of actual purchases compared to customers entering the store amounted to 9.6% in 2019 which is an increase over 2018 which amounted to 8.8%. The number of clients in 2019 increased by 12.5% over 2018 and had a higher average basket spend at the retail outlets compared to 2018. Traffic increased by 10.6% when compared to 2018.

The results of the Harvest division are in line with the expectations of the business and the outlook going forward is cautiously optimistic. The directors note that the volumes of the e-commerce business increased significantly in 2019 over 2018 due to new clients attracted in 2019 as well an increase in the amount of transactions passed through the payment gateway. Harvest will continue to provide 1923 Investments p.l.c. with steadily positive results which the directors are committed to strengthen and continue to improve.

In the Logistics business, the market is still challenging and highly competitive, but we have seen improvements in both volumes and revenues during 2019 compared to 2018.

The directors are closely monitoring the results and our efforts in strengthening the sales team which is in place to bring new business. The sales team succeeded to gain some of the lost client accounts and also gained new customers. The results of the first quarter of 2020 in freight forwarding is better than the first quarter of 2019. However, the Ship to Ship operations business is badly affected by restrictions related to COVID-19 but we are continuously striving for better results in the next few months.

At the freight forwarding company in Poland, volumes have improved compared to last year. However, due to the current market conditions we are experiencing lower margins. Similar to last year, the cargo handling business is still negatively affected by additional charges imposed on exports of cargo from Non-EU to EU countries. In 2019, the management of Allcom, together with the sales team, are striving to gain more

business. Results of the first quarter of 2020 were better than budget and last year in terms of revenues and profits.

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

Principal risks and uncertainties

The Board as a whole, including the Audit Committee members, consider the nature and extent of the risk management framework and risk profile that is acceptable to the Board. The Audit Committee regularly reviews the work carried out by 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 iSpot Poland Sp z.o.o to engage in the sale and distribution of Apple products as an Apple Premium Reseller in Poland, could have a material adverse effect on 1923 Investments' business, results of operations and financial condition. Additionally, the Group has alliances with shipping companies which will expire in the coming years. The expiry of these alliances and agreements, if not renegotiated, may have a significant impact on the results of the logistics and transport business.

The developments pertaining to the COVID-19 pandemic that occurred after the end of the reporting period are discussed in the post balance sheet events section below and note 45 to the financial statements.

Financial risk management

Note 43 to the financial statements provides details in connection with the Group's use of financial instruments, its financial risk management objectives and policies and the financial risks to which it is exposed.

Non-financial statement

Environmental matters

The Group is committed to environmental responsibility, and all subsidiaries within the Group have a role to play in living up to that commitment. Efforts are being made on areas where the Group can have significant impact on critical environmental issues, including climate change, natural resource conservation and waste management. The Group invests in innovations that can improve our environmental footprint, besides collaborating with other organizations to raise environmental awareness and work with key suppliers to promote environmentally responsible practices in their operations.

The Group feels that it is its duty to operate as part of the local community in order to keep the countries, where we operate, tidy. Subsidiaries within the Group are enrolled in local programmes for waste collection, separation and recycling of waste.

In terms of energy efficiency, the Group implements modern technology throughout its business divisions, with the installation of energy management systems and the use of energy efficient equipment and LED lighting.

Employee matters

The Group provides opportunity, nurtures talent, provides support to develop leaders and rewards achievement. The Group believes that a team of individuals with diverse backgrounds and experiences, working together in an environment that fosters respect and drives high levels of engagement, is essential to its continuing business success. Performance evaluation systems are employed across the Group by applying career progression mechanisms and by rewarding achievements.

Each of the Group's employees deserves to be treated with fairness, respect and dignity, providing equal opportunity for employees and applicants. All of the Group's employees have the right to work in a place that is free from harassment, intimidation or abuse, sexual or otherwise, or acts or threats of physical violence. It is committed to diversity and equal opportunities for everyone, respecting the unique attributes and perspectives of every employee, and rely on these diverse perspectives to help the Group build and improve the relationships with customers and business partners. The Group embraces the diversity of its employees, customers and business partners, and work hard to make sure everyone within the Group feels welcome.

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

Social matters

The Group takes its corporate social responsibility very seriously and engages with its social partners and the community in general to give back through community involvement and the protection of the environment through the creation and realisation of advanced technology systems. The Group's history has shown a proven contribution towards society by enhancing the quality of life of its customers and the general public alike.

Respect for human rights

The Group conducts its activities in a manner that respects human rights, taking the responsibility seriously to act with due diligence to avoid infringing on the human rights of others and addressing any impact on human rights if they occur. The Group's commitment to respect human rights is defined in the code of business conduct, which applies to all employees of the Group.

The Group is committed to provide a safe work environment that fosters respect, fairness and dignity. Group employees are trained annually on the standard of business conduct.

Anti-corruption and bribery matters

The Group's employees must comply with the Group Code of Conduct and Whistle-blower Policy to ensure that all employees are discouraged from any corrupt practices or bribery as well as are incentivized to report any such activities in a direct line with the responsible Group supervisor, without fearing reprisals. Every employee is introduced to these policies upon employment and are mandatory to be adhered to it.

The Group prohibits all forms of bribery or kickbacks as detailed in the Code of Conduct. All employees, representatives and business partners must fully comply with anti-bribery legislation. To comply with the Group policy and anti-bribery laws, no employee should ever offer, directly or indirectly, any form of gift, entertainment or anything of value to any government official or his or her representatives.

The Group is committed to complying with the applicable laws in all countries where it does business. It adopts an anti-corruption policy which sets forth its commitment to ensuring that it carries out business in an ethical manner and abides by all applicable anti-bribery and anti-corruption laws in the countries in which it operates by, among other things, prohibiting the giving or receiving of improper payments in the conduct of its business, and by discouraging such behaviour by its business partners.

Business model

The Group operates four main business activities which are the sale of retail and IT solutions in Poland predominately as an Apple Premium Reseller, the sale of payment processing services, the provision of IT solutions and security systems and the provision of road, sea and air logistics services.

The Group's Apple retail business in Poland offers an extensive range of Apple products and other software in Poland. Harvest Technology's business line in Malta is a multi-brand information technology solutions provider to businesses and the public sector. In addition, Harvest Technology p.l.c. is a payments solutions provider offering e-commerce processing services for retailers and internet-based merchants together with the provision of a wide range of automation and security solutions catering to the banking, retail, fuel and other sectors.

Through its wide range of services and experience in technology, the Group is positioned to continue to develop and offer a wide range of solutions to its customers and to assure a high quality of services to its customers.

The logistics division continues to provide its transport and logistics services through its long-standing experience in the sector and its continued support and excellent relationship with its business partners.

Significant judgements and estimates

Note 5 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 2019 are shown in the statements of profit or loss and other comprehensive income on page 14. The Group's profit after tax was € 1,482,245 (2018: loss after tax of € 1,217,355), whilst the Company's loss after tax was € 1,252,098 (2018: profit after tax of € 1,973,111). During 2019, a management fee amounting to € 660,000 was charged by the parent company (2018: € 660,000).

No dividend was declared and paid during the year (2018: €5,800,000).

Likely future business developments

The directors of 1923 Investments p.l.c. are of the view that there are a number of investment opportunities that will be explored and evaluated with a view to continue to grow its business portfolio in line with the Company's strategy. During 2020, the Company has signed a Sale and Purchase Agreement for the purchase of a carve out transaction relating to Ship to Ship business from Teekay Tankers Limited. This acquisition is expected to be concluded shortly.

Post balance sheet events

Following the outbreak of the COVID-19 pandemic, the directors are monitoring the situation and planning for immediate action to safeguard the interests of the Group and its stakeholders. The company also receives ongoing updates from the Boards of the underlying subsidiaries to assess the impact of the COVID-19 pandemic on its investments.

As the Group confronts the unprecedented challenges brought about by the global pandemic, it has taken all available measures to contain and manage the financial impact on the Group. Companies within the Group have applied for such fiscal assistance as is available under the programmes announced by government, and, as a precautionary cash conservation measure, the Group has applied for temporary banking facilities.

Other operational efficiency and cost containment initiatives have also been implemented. Based on its assessment of the current position and the mitigation measures being taken, the Board believes that the Group and the Company have adequate resources to continue in operation for the foreseeable future.

The directors are of the opinion that it is premature to comment on the consequences of the events that are still unfolding and that they cannot make an estimate of the financial effect that these events will have on the Group. These events are expected to have an impact on the short term performance and financial position of the Group and its subsidiaries. It is unlikely that business lost throughout the disruption, and the eventual recovery process, will be regained by end of year and therefore it is expected that the initially set targets for 2020 will not be fully achieved. The impact on the future performance and financial position of the Group is dependent on various macro-economic considerations interrelated to the COVID-19 pandemic but the geographic and industry diversification of the Group mitigates risks and increases opportunities.

There were no other adjusting or other significant non-adjusting events between the end of the reporting period and the date of authorisation by the Board.

Directors

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

Mr Charles Borg – Chairman
Mr Carmelo sive Melo Hili (appointed on 26 August 2019)
Mr Geoffrey Camilleri
Mr Karl Fritz
Ms Therese Calleja (appointed on 26 August 2019)
Dr Austin Gatt (appointed on 3 January 2019)
Mr Richard Abdilla Castillo (resigned on 8 May 2019
Mr Stephen Kenneth Tarr (resigned on 26 August 2019)
Prof Juanito Camilleri (appointed on 3 January 2019 and resigned on 26 August 2019)
Mr John Trefor Price Roberts (resigned on 3 January 2019)
Ms Margrit Lutschg-Emmenegger (resigned on 3 January 2019)

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

Going concern

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

Accordingly, for these reasons the Board is of the opinion that it remains appropriate to adopt the going concern basis in the preparation of these financial statements.

Disclosure of information to the auditor

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

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

Statement of directors' responsibilities

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

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

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

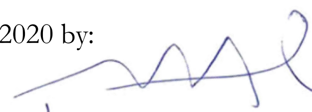
Auditor

Grant Thornton have intimated their willingness to continue in office.

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

Approved by the board of directors and signed on its behalf on 30 April 2020 by:

Charles Borg
Chairman



Carmelo sive Melo Hili
Managing Director

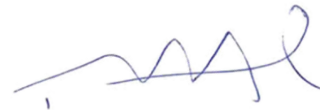
Registered address:
Nineteen Twenty-Three
Valletta Road
Marsa MRS 3000
Malta

30 April 2020

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 2019 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

Carmelo sive Melo Hili
Managing Director

Corporate governance statement

Introduction

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

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

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

Additionally, the Board recognises that, by virtue of Listing Rule 5.101, the Company is exempt from making available the information required in terms of Listing Rules 5.97.1 to 5.97.3; 5.97.6 and 5.97.8.

The Board of Directors

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

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

For the purpose of the listing rules, Mr Charles Borg, Dr Austin Gatt and Mr Karl Fritz are independent non-executive directors of the Company. In addition to the above, Ms Margrit Lutschg-Emmenegger and Mr John Trefor Price Roberts served as non-executive directors until they resigned on 3 January 2019. Furthermore, Mr Richard Abdilla Castillo resigned on 8 May 2019, whilst Prof Juanito Camilleri and Mr Stephen Kenneth Tarr both resigned on 26 August 2019.

Executive Directors

Mr Carmelo sive Melo Hili (Managing Director)

Non-Executive Directors

Ms Therese Calleja
Mr Geoffrey Camilleri

Independent Non-Executive Directors
Mr Charles Borg (Chairman)
Dr Austin Gatt
Mr Karl Fritz

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. The Audit Committee assists the Board in fulfilling its supervisory and monitoring responsibility by reviewing the Group financial statements and disclosures, monitoring the system of internal control established by management as well as the audit processes.

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

Mr Karl Fritz (Chairman)
Mr Geoffrey Camilleri
Dr Austin Gatt (appointed on 3 January 2019)
Mr John Trefor Price Roberts (resigned on 3 January 2019)

satisfying the requirement established by the Listing Rules that the Audit Committee is composed of non-executive directors, the majority of which being independent. Mr 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 three times during 2018 and four times during 2019. Communication with and between the Secretary, top level management and the Committee is ongoing and considerations that required the Committee's attention were acted upon between meetings and decided by the Members (where necessary) through electronic circulation and correspondence.

Internal Control

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

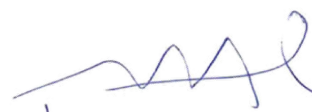
Non-compliance with the code

Principle 7: Evaluation of the board's performance
Under the present circumstances, the Board does not consider it necessary to appoint a committee to carry out a performance evaluation of its role as the Board's performance is always under scrutiny of the shareholders of the Company.

Principle 8: Committees
Under the present circumstances the Board does not consider it necessary to appoint a remuneration committee and a nomination committee as decisions on these matters are taken at shareholder level.

Principle 10: Institutional shareholders
This principle is not applicable since the Company has no institutional shareholders.

Approved by the Board of Directors and signed on its behalf on 30 April 2020 by:



Charles Borg
Chairman

Carmelo sive Melo Hili
Managing Director

Other disclosures in terms of listing rules

Statement by the directors pursuant to Listing Rule 5.70.1

Contracts of significance

Loan agreements with subsidiaries and related parties

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

Rental agreements with related parties

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

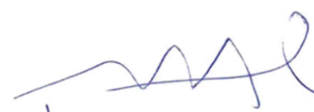
Pursuant to Listing Rule 5.70.2

Company secretary and registered office

Melanie Miceli Demajo
Nineteen Twenty-Three
Valletta Road
Marsa MRS 3000
Malta

Signed on behalf of the Board of Directors on 30 April 2020 by:

Charles Borg
Chairman



Carmelo sive Melo Hili
Managing Director

Statements of profit or loss and other comprehensive income

	Notes	The group 2019 €	The group 2018 €	The company 2019 €	The company 2018 €
Revenue	7	**134,897,806**	**122,022,751**	**1,035,833**	**1,080,000**
Cost of sales		(116,697,961)	(108,483,977)	-	-
Gross profit		**18,199,845**	**13,538,774**	**1,035,833**	**1,080,000**
Other operating income	8	154,726	81,237	12,960	-
Administrative expenses		(15,139,957)	(12,338,226)	(2,269,192)	(1,285,965)
Operating profit (loss)		**3,214,614**	**1,281,785**	**(1,220,399)**	**(205,965)**
Investment income	9	295,355	202,332	2,188,394	4,983,206
Gain on disposal of shares in subsidiary	9	5,881,742	-	5,881,742	-
Finance costs	10	(2,930,241)	(2,740,165)	(2,727,841)	(2,482,497)
Other income		74,571	-	-	-
Impairment of goodwill	16	(3,789,388)	-	-	-
Loss on disposal of a subsidiary within the group		(58,363)	-	-	-
Impairment of investment in subsidiaries	21	-	-	(4,730,637)	-
Share of profit in associates	22	246,028	121,593	-	-
Share of results in joint ventures	22	107,557	69,714	-	-
Profit (loss) before tax	11	**3,041,875**	**(1,064,741)**	**(608,741)**	**2,294,744**
Tax expense	14	(1,435,396)	(152,614)	(519,123)	(321,633)
Profit (loss) for the year		**1,606,479**	**(1,217,355)**	**(1,127,864)**	**1,973,111**
Other comprehensive income (loss)					
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations		294,815	(2,254,810)	-	-
Total comprehensive income (loss)		**1,901,294**	**(3,472,165)**	**(1,127,864)**	**1,973,111**
Profit (loss) attributable to:					
Owners of the company		1,502,493	(1,219,543)	(1,127,864)	1,973,111
Non-controlling interest		103,986	2,188	-	-
		1,606,479	**(1,217,355)**	**(1,127,864)**	**1,973,111**
Total comprehensive income (loss) attributable to:					
Owners of the company		1,797,308	(3,474,353)	(1,127,864)	1,973,111
Non-controlling interest		103,986	2,188	-	-
		1,901,294	**(3,472,165)**	**(1,127,864)**	**1,973,111**

Statements of financial position

	Notes	The group 2019 €	The group 2018 €	The company 2019 €	The company 2018 €
Assets					
Non-current					
Goodwill	16	50,977,993	54,285,881	-	-
Intangible assets	17	12,177,049	12,099,714	-	-
Plant and equipment	18	5,610,785	6,629,098	4,530	3,000
Right-of-use assets	19	10,294,497	-	-	-
Investment in subsidiaries	21	-	-	55,332,577	64,910,308
Investment in associates	22	270,678	107,950	-	-
Investment in joint ventures	22	907,996	800,439	682,375	682,375
Other investment	23	50,000	50,000	-	-
Loans and receivables	24	2,383,816	8,523,204	34,841,025	34,901,419
Deferred tax assets	37	1,462,908	1,545,874	23,356	-
		84,135,722	**84,042,160**	**90,883,863**	**100,497,102**
Current					
Inventories	25	11,476,437	15,840,850	-	-
Loans and receivables	24	8,350,853	1,039,552	4,689,144	3,600,000
Contract assets	7	215,998	905,058	-	-
Other assets	26	1,444,414	1,612,440	3,819	53,189
Trade and other receivables	27	11,805,251	12,627,559	354,084	409,810
Cash and cash equivalents	28	18,933,855	3,604,370	10,624,983	1,366,403
Current tax assets		912,630	1,121,753	260,851	407,375
		53,139,438	**36,751,582**	**15,932,881**	**5,836,777**
Total assets		**137,275,160**	**120,793,742**	**106,816,744**	**106,333,879**

Statements of financial position – continued

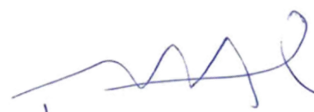
	Notes	The group 2019 €	The group 2018 €	The company 2019 €	The company 2018 €
Equity					
Share capital	29	49,575,000	49,575,000	49,575,000	49,575,000
Other equity	30	(4,741,736)	(4,741,736)	154,629	154,629
(Accumulated losses) retained earnings		(2,861,061)	(5,519,637)	(1,024,672)	103,192
Translation reserve	31	(745,327)	(1,040,142)	-	-
Attributable to equity holders of the parent		41,226,876	38,273,485	48,704,957	49,832,821
Non-controlling interest		3,835,897	44,236	-	-
Total equity		**45,062,773**	**38,317,721**	**48,704,957**	**49,832,821**
Liabilities					
Non-current					
Debt securities in issue	32	35,596,464	35,515,557	35,596,464	35,515,557
Borrowings	33	100,000	100,000	-	-
Lease liabilities	20	7,541,426	-	-	-
Trade and other payables	34	543,826	831,208	-	-
Other financial liabilities	36	3,078,375	12,299,722	17,722,813	19,176,666
Deferred tax liabilities	37	1,406,637	1,195,804	32,799	-
		48,266,728	**49,942,291**	**53,352,076**	**54,692,223**

Statements of financial position – continued

	Notes	The group 2019 €	The group 2018 €	The company 2019 €	The company 2018 €
Current					
Borrowings	33	4,654,467	3,534,561	-	-
Lease liabilities	20	2,958,319	-	-	-
Trade and other payables	34	23,923,325	26,652,259	803,994	717,201
Contract liabilities	35	2,302,621	1,591,781	-	-
Other financial liabilities	36	9,315,506	350,009	3,955,717	1,091,634
Current tax liability		791,421	405,120	-	-
		43,945,659	**32,533,730**	**4,759,711**	**1,808,835**
Total liabilities		**92,212,387**	**82,476,021**	**58,111,787**	**56,501,058**
Total equity and liabilities		**137,275,160**	**120,793,742**	**106,816,744**	**106,333,879**

The financial statements on pages 14 to 85 were approved by the board of directors, authorised for issue on 30 April 2019 and signed on its behalf by:

Charles Borg
Chairman



Carmelo sive Melo Hili
Managing Director

Statement of changes in equity – the group

	Share capital	Other equity	Retained earnings (accumulated losses	Translation reserve	Attributable to equity holders of the parent	Non-controlling interest	Total equity
	€	€	€	€	€	€	€
At 1 January 2018	35,575,000	(4,765,472)	1,656,380	1,214,668	33,680,576	30,248	33,710,824
Adjustment from the adoption of IFRS 15	-	-	(61,869)	-	(61,869)	-	(61,869)
Adjusted balance at 1 January 2018	35,575,000	(4,765,472)	1,594,511	1,214,668	33,618,707	30,248	33,648,955
Transactions with owners:							
Increase in share capital	14,000,000	-	-	-	14,000,000	-	14,000,000
Dividend paid to shareholder	-	-	(5,800,000)	-	(5,800,000)	-	(5,800,000)
Dividend paid to minority interest	-	-	-	-	-	(2,905)	(2,905)
Value of services provided by officer of the group (note 12)	-	23,736	-	-	23,736	-	23,736
	14,000,000	**23,736**	**(5,800,000)**	**-**	**8,223,736**	**(2,905)**	**8,220,831**
(Loss)/profit for the year	-	-	(1,219,543)	-	(1,219,543)	2,188	(1,217,355)
Other comprehensive loss for the year	-	-	-	(2,254,810)	(2,254,810)	-	(2,254,810)
Total comprehensive (loss) income	**-**	**-**	**(1,219,543)**	**(2,254,810)**	**(3,474,353)**	**2,188**	**(3,472,165)**
Minority interest on purchase of subsidiary	-	-	-	-	-	(94,605)	(94,605)
Full acquisition of subsidiary	-	-	(94,605)	-	(94,605)	94,605	-
Disposal of shares in subsidiary (note 12)	-	-	-	-	-	14,705	14,705
	-	**-**	**(94,605)**	**-**	**(94,605)**	**14,705**	**(79,900)**
At 31 December 2018	**49,575,000**	**(4,741,736)**	**(5,519,637)**	**(1,040,142)**	**38,273,485**	**44,236**	**38,317,721**

Statement of changes in equity – the group – continued

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

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

Accumulated losses include an amount of € 1,462,908 (2018: € 1,545,874) relating to deferred tax assets which are undistributable in terms of the Companies Act, Cap 386.

Statement of changes in equity – the company

	Share capital	Other equity	Retained earnings (accumulated losses)	Total
	€	€	€	€
At 1 January 2018	35,575,000	130,893	3,930,081	39,635,974
Increase in share capital	14,000,000	-	-	14,000,000
Value of services provided by officer of the group (note 12)	-	23,736	-	23,736
Dividend paid to shareholder	-	-	(5,800,000)	(5,800,000)
Transactions with owners	**14,000,000**	**23,736**	**(5,800,000)**	**8,223,736**
Profit for the year	-	-	1,973,111	1,973,111
Total comprehensive income	**-**	**-**	**1,973,111**	**1,973,111**
At 31 December 2018	**49,575,000**	**154,629**	**103,192**	**49,832,821**
At 1 January 2019	49,575,000	154,629	103,192	49,832,821
Loss for the year	-	-	(1,127,864)	(1,127,864)
Total comprehensive loss	**-**	**-**	**(1,127,864)**	**(1,127,864)**
At 31 December 2019	**49,575,000**	**154,629**	**(1,024,672)**	**48,704,957**

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

Statements of cash flows

	Notes	The group 2019 €	The group 2018 €	The company 2019 €	The company 2018 €
Operating activities					
Profit (loss) before tax		3,041,875	(1,064,741)	(608,741)	2,294,744
Adjustments	38	5,773,874	5,362,577	(703,524)	(2,499,709)
Net changes in working capital	38	3,308,396	(2,915,529)	195,473	(82,238)
Interest paid		(2,419,164)	(2,659,258)	(1,862,858)	(1,867,509)
Tax paid		(882,565)	(1,052,928)	-	(65,223)
Tax refunded		322,347	420,376	146,524	-
Net cash generated from (used in) operating activities		**9,144,763**	**(1,909,503)**	**(2,833,126)**	**(2,219,935)**
Investing activities					
Payments to acquire plant and equipment	18	(1,008,219)	(1,189,170)	(3,376)	(4,000)
Payments to acquire intangible assets	17	(385,304)	(473,869)	-	-
Proceeds from disposal of plant and equipment		116,532	329,358	-	-
Interest received		427	17,718	-	17,718
Amounts advanced to subsidiaries	33	-	-	-	(9,600,000)
Proceeds from disposal of shares in a subsidiary		10,728,836	-	10,728,836	-
Cash taken over upon acquisition of a subsidiary		131	-	-	-
Cash disposed upon sale of a subsidiary		(4,531)	-	-	-
Proceeds from sale of a subsidiary		94,455	-	-	-
Repayments to parent company		-	-	(1,852,796)	(33,897)
Payments from subsidiaries		-	-	3,220,885	1,002,140
Payments to related companies		(1,091,141)	(414,940)	(1,843)	3,905
Dividends received from associates		83,300	147,000	-	-
Net cash generated from (used in) investing activities		**8,534,486**	**(1,583,903)**	**12,091,706**	**(8,614,134)**

Statements of cash flows – continued

	Notes	The group 2019 €	The group 2018 €	The company 2019 €	The company 2018 €
Financing activities					
Increase in share capital		-	14,000,000	-	14,000,000
Dividends paid		(3,336)	(2,002,905)	-	(2,000,000)
Proceeds from bank loan	39	-	300,000	-	-
Repayments of bank loans	39	(100,000)	(10,642,763)	-	-
Payments for lease obligations to third parties		(2,775,156)	-	-	-
Payments for lease obligations to related companies		(261,008)	-	-	-
Interest paid on leasing arrangements with third parties		(345,543)	-	-	-
Interest paid on leasing arrangements related company		(84,627)	-	-	-
Net cash (used in) generated from financing activities		**(3,569,670)**	**1,654,332**	**-**	**12,000,000**
Net change in cash and cash equivalents		**14,109,579**	**(1,839,074)**	**9,258,580**	**1,165,931**
Cash and cash equivalents, beginning of year		269,809	2,108,883	1,366,403	200,472
Cash and cash equivalents, end of year	28	**14,379,388**	**269,809**	**10,624,983**	**1,366,403**

Notes to the financial statements

1 Nature of operations

The principal activities of the group are the sale and distribution of Apple Products as an Apple Premium Reseller, as well as the sale, maintenance and servicing of information technology solutions, security systems and provides electronic payment solutions. As from 1 January 2018, the group was also engaged in providing road, sea and air logistics services in Malta and in Poland. The company acts as an investment company and service provider to its subsidiary undertakings.

2 General information, statement of compliance with IFRS and going concern assumption

The company was incorporated on 23 December 2013 as a holding company. The registered address and principal place of business of the company is Nineteen Twenty-Three, Valletta Road, Marsa MRS 3000, Malta.

The company is a public company whose bonds are publicly listed and traded on the Malta Stock Exchange.

The financial statements of the company and the consolidated financial statements of the group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union (EU), and in accordance with the Companies Act, Cap 386.

In view of the developments pertaining to the COVID-19 pandemic that occurred after the end of the reporting period, the directors have prepared budgets and projections to assess the impact that the pandemic may have on the profitability, liquidity and going concern of the group.

These events have had a significant impact on the economy during 2020 and the results expected to be registered during the financial year ended 31 December 2020 will be impacted with material adverse implications on the profitability, cash flows and financial position of the group. Based on the outcome of cash flow projections prepared by the group under a pessimistic scenario, factoring significant strain on revenue, the directors consider the going concern assumption in the preparation of the financial statements as appropriate as at the date of authorisation. They also believe that no material uncertainty that may cast significant doubt about the company's ability to continue as a going concern exists as at that date.

In 2019, the group has adopted new guidance for the recognition of leases (see note 4.1 below). The new Standard has been applied using the modified retrospective approach, with any cumulative effect of adoption as at 1 January 2019 being recognised as a single adjustment to retained earnings. Accordingly, the group is not required to present a third statement of financial position as at that date. There was no effect on retained earnings arising from the first-time adoption of IFRS 16 'Leases' as the group had no leases classified as finance leases under IAS 17.

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

3 Merger

During 2018, it was decided that iSpot Holdings BV be amalgamated into 1923 Invetsments p.l.c. The merger became effective on 5 September 2018. At that date, 1923 Investments p.l.c. held all of the entire share capital of iSpot Holdings BV whereby the company acquired all of the assets, rights, liabilities and obligations of the latter. The simplified formalities in terms of Regulation 19(1) of the Cross-Border Mergers of Limited Liability Companies Regulations, S.L. 386.12 were applicable to this cross-border merger.

Assets and liabilities contributed by each enterprise as at 5 September 2018, the effective date of the merger, were as follows:

	1923 Investments p.l.c. €	iSpot Holdings BV €
Total assets	87,747,690	41,085,177
Total liabilities	(38,050,042)	(5,961,215)
	49,697,648	**35,123,962**

Since at the time of combination iSpot Holdings BV and 1923 Invetsments p.l.c. were entities under common control, the provisions under IFRS 3 *Business Combinations* did not apply. In this case, the pooling of interest method was used to account for the combination. Under this method, the financial statement items of the combining entities for the period in which the combination occured and for the comparative periods disclosed have been included in the financial statements of 1923 Investments p.l.c. as if they had been combined from the beginning of the earliest period presented. The share capital of iSpot Holdings BV was eliminated with the investment by 1923 Investments p.l.c. in iSpot Holdings BV.

4 New or revised Standards or Interpretations

4.1 New standards adopted as at 1 January 2019

IFRS 16 'Leases'

The group has adopted IFRS 16 'Leases' as at 1 January 2019 using the Standard's modified retrospective approach.

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease').

The adoption of this new Standard has resulted in the group recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019. At this date, the group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition. As a result, no equity adjustment has been recognised on initial application of IFRS 16. Comparative information is not restated.

The group did not enter into contracts of low value assets during 2019.

On transition to IFRS 16, the weighted average incremental borrowing rate applied to lease liabilities recognised was 3% for the retail business in Poland and 3.93% for all other divisions.

The group has opted to show present right-of-use assets separately. There were therefore no changes to the group's plant and equipment and a further reconciliation is not required. The net present values of lease liabilities at the end of the reporting period are shown separately with current and non-current liabilities.

The group has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

Since the group did not have any leases classified as finance leases under IAS 17, a reconciliation of financial statement line items from IAS 17 to IFRS 16 is not applicable.

The following is a reconciliation of total operating lease commitments at 31 December 2018 (as disclosed in the audited financial statements at 31 December 2018) to the lease liabilities recognised at 1 January 2019:

	€
Total operating lease commitments disclosed at 31 December 2018	14,443,295
Discounted using incremental borrowing rate	(984,019)
Total lease liabilities recognised under IFRS 16 at 1 January 2019	**€ 13,459,276**

The group did not have any leases of low value assets, leases with remaining term of less than 12 months, finance lease obligations at the end of the previous reporting period or any other adjustments that would be required to the amount reported in total operating lease commitments at 31 December 2018 in determining the lease liability recognised in accordance with IFRS 16 at 1 January 2019.

4.2 Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the group

At the date of authorisation of these financial statements, several new, but not yet effective, Standards, amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards, amendments or Interpretations have been adopted early by the group.

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

5 Summary of accounting policies

5.1 Overall considerations

The consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

The consolidated financial statements have been prepared from the financial statements of the companies comprising the group as detailed in notes to the consolidated financial statements.

5.2 Presentation of financial statements

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

5.3 Basis of consolidation

The group financial statements consolidate those of the parent company and all of its subsidiaries as of 31 December 2019. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The subsidiaries have a reporting date of 31 December.

All transactions and balances between group companies are eliminated on consolidation, including unrealised gains and losses on transactions between group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment losses from the group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

5.4 Business combinations

The group applies the acquisition method in accounting for business combinations. The consideration transferred by the group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

5.5 Investment in subsidiaries

Investment in subsidiaries is included in the company's statement of financial position at cost less any impairment loss that may have arisen. Income from investment is recognised only to the extent of distributions received by the company from post-acquisition profits. Distributions received in excess of such profits are regarded as a recovery of the investment and are recognised as a reduction of the cost of the investment.

At the end of each reporting period, the company reviews the carrying amount of its investment in subsidiaries to determine whether there is any indication of impairment and, if any such indication exists, the recoverable amount of the investment is estimated. An impairment loss is the amount by which the carrying amount of an investment exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. An impairment loss that has been previously recognised is reversed if the carrying amount of the investment exceeds its recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the investment does not exceed the carrying amount that would have been determined if no impairment loss had been previously recognised. Impairment losses and reversals are recognised immediately in profit or loss.

5.6 Investment in associates and joint ventures

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

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

arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

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

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

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

5.7 Acquisition of entities and businesses under common control

The acquisition of subsidiaries under common control is accounted for under the principles of predecessor accounting as from the date these subsidiaries are acquired by the holding company's parent at their previous carrying amounts of assets and liabilities included in the consolidated financial statements of the company's parent. Differences on acquisition between the consideration given in exchange for the acquired entities and the amounts at which the assets and liabilities of the acquired are initially recognised are included within equity.

5.8 Acquisition of subsidiaries

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

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

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

5.9 Goodwill

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

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

5.10 Non-controlling interest

Non-controlling interests in the acquiree that are present ownership interests and entitle their shareholders to a proportionate share of the entity's net assets in the event of liquidation, may be initially measured either at the present ownership interests proportionate share in the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on an acquisition-by-acquisition basis. After initial recognition, non-controlling interests in the net assets consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination. Non-controlling interests in the net assets of consolidated subsidiaries are presented separately from the holding company's owners' equity therein. Non-controlling interests in the profit or loss and other comprehensive income of consolidated subsidiaries are also disclosed separately. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

5.11 Revenue recognition

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

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

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

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

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

The group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as contract liabilities in the statement of financial position (see note 35). Similarly, if the group satisfies a performance obligation before it receives the consideration, the group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Sale and distribution of Apple products

Revenue from the sale of Apple products for a fixed fee is recognised when or as the group transfers control of the assets to the customer. Amounts receivable for products transferred are due upon receipt by the customer, which is usually immediately upon the sale of the product to the customer. Control for these products is transferred at the point in time and occurs when the customer takes undisputed delivery of the goods.

The group provides a basic one year product warranty on its Apple products sold to customers. Under the terms of this warranty, customers can return the product for repair or replacement if it fails to perform in accordance with published specifications. The standard warranty does not provide a service which enhances, or is in any way or manner an addition to the standard assurance to the product performance. These warranties are accounted for under IAS 37.

Sale of information technology solutions, security systems and other machinery

Revenue from the sale of information technology solutions, security systems and other machinery for a fixed fee is recognised when or as the group transfers control of the assets to the customer. Invoices for products and services transferred are due upon receipt by the customer, which is usually upon the sale of the product to the customer and installation of the items or products sold. Control for these products is usually transferred at the point in time and occurs when the customer takes undisputed delivery of the goods.

When such items are either customised or sold together with significant integration services, the goods and services represent a single combined performance obligation over which control is considered to transfer over time. This is because the combined product is unique to each customer (has no alternative use) and the group has an enforceable right to payment for the work completed to date. Revenue for these performance obligations is recognised over time as the customisation or integration work is performed, using the cost-to-cost method to estimate progress towards completion. As costs are generally incurred uniformly as the work progresses and are considered to be proportionate to the entity's performance, the cost-to-cost method provides a faithful depiction of the transfer of goods and services to the customer.

Each major contract is nevertheless evaluated for revenue recognition on its own and the group determines when control is effectively transferred depending on the specific circumstances.

For sales of software that are neither customised by the group nor subject to significant integration services, the licence period commences upon delivery. For sales of software subject to significant customisation or integration services, the licence period begins upon commencement of the related services.

Maintenance and servicing

The group enters into fixed price maintenance contracts with its customers for terms between one and three years in length. Customers are required to pay either quarterly or yearly in advance for each respective service period and the relevant payment due dates are specified in each contract.

The group enters into agreements with its customers to perform regularly scheduled maintenance services on the various goods purchased from the group. Revenue is recognised over time based on the ratio between the number of hours of maintenance services provided in the current period and the total number of such hours expected to be provided under each contract. This method best depicts the transfer of services to the customer because: (a) details of the services to be provided are specified as part of the agreed maintenance program relative to the maintenance requirements of the items sold, and (b) the group has a long history of providing these services to its customers, allowing it to make reliable estimates of the total number of hours involved in providing the service.

Consulting and development of IT systems

The group enters into contracts for the design, development and installation of IT systems in exchange for a fixed fee and recognises the related revenue over time. Due to the high degree of interdependence between the various elements of these projects, they are accounted for as a single performance obligation. When a contract also includes promises to perform after-sales services, the total transaction price is allocated to each of the distinct performance obligations identifiable under the contract on the basis of its relative stand-alone selling price.

To depict the progress by which the group transfers control of the systems to the customer, and to establish when and to what extent revenue can be recognised, the group measures its progress towards complete satisfaction of the performance obligation by comparing actual hours spent to date with the total estimated hours required to design, develop, and install each system. The hours-to-hours basis provides the most faithful depiction of the transfer of goods and services to each customer due to the group's ability to make reliable estimates of the total number of hours required to perform, arising from its significant historical experience constructing similar systems.

Most such arrangements include detailed customer payment schedules. When payments received from customers exceed revenue recognised to date on a particular contract, any excess (a contract liability) is reported in the statement of financial position (see note 35).

The construction of IT systems normally takes 10 - 12 months from commencement of design through to completion of installation. As the period of time between customer payment and performance will always be one year or less, the group applies the practical expedient in IFRS 15.63 and does not adjust the promised amount of consideration for the effects of financing.

In obtaining these contracts, the group incurs some incremental costs. As the amortisation period of these costs, if capitalised, would be less than one year, the group makes use of the practical expedient in IFRS 15.94 and expenses them as they incur. Such incremental costs are not considered to be material.

Payment gateway

The group enters into transactions with parties for the access to a payment gateway. The group's revenue is mainly derived from the actual volume of traffic on the payment gateway and on other fixed charges. The price is agreed and established with the customer in written contracts and is allocated to the performance obligation accordingly. Prices are based on established amounts for such services. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Road, sea and air logistics services

Revenue from the provision of road, sea and air logistics services for an agreed price is recognised when or as the group completes delivery to the customer. Invoices for services rendered are due upon completion of the contracted service, which is usually immediately upon delivery to the customer. Control for these products is transferred at the point in time and occurs when the customer takes undisputed delivery of the goods on which the transportation service has been provided.

5.12 Interest and dividends

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

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

5.13 Operating expenses

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

5.14 Borrowing costs

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

5.15 Employee benefits

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

5.16 Share-based payments

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

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

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

5.17 Foreign currency translation

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective group entity using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in the profit or loss.

Non-monetary items are not retranslated at the year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

In the group’s financial statements, all assets, liabilities and transactions of group entities with a functional currency other than the Euro are translated into Euro upon consolidation. The functional currency of the entities in the group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into Euro at the closing rate at the reporting date. Income and expenses have been translated into Euro at the average rate over the reporting period. Exchange differences are charged or credited to other comprehensive income and recognised in the translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal.

5.18 Intangible assets

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

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

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

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

Patents and trademarks

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

Internally developed software

Expenditure on the research phase of projects to develop new customised software is recognised as an expense as incurred.

Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following recognition requirements:

- the development costs can be measured reliably
- the project is technically and commercially feasible
- the group intends to and has sufficient resources to complete the project
- the group has the ability to use or sell the software
- the software will generate probable future economic benefits.

Development costs not meeting these criteria for capitalisation are expensed as incurred.

Directly attributable costs include employee costs incurred on software development along with an appropriate portion of relevant overheads and borrowing costs.

All finite-lived intangible assets, including capitalised internally developed software, are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described in note 5.22. The following useful lives are applied:

	Years
Software	3
Patents and trademarks	7-10

Any capitalised internally developed software that is not yet complete is not amortised but is subject to impairment testing as described in note 5.22.

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

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

5.19 Plant and equipment

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

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

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

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

Depreciation

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

	Years
Improvements to premises	2.5 – 5
Equipment	10 – 33
Motor vehicles	10 – 25
Furniture, fixtures and fittings	10 – 25

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

5.20 Right-of-use assets

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

5.21 Leases

Accounting policy applicable from 1 January 2019

For any new contracts entered into on or after 1 January 2019, the group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the group assesses whether the contract meets three key evaluations which are whether:

• the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the group

• the group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract

• the group has the right to direct the use of the identified asset throughout the period of use. The group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases

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

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

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

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

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

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

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

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

Accounting policy applicable before 1 January 2019

Operating leases

Operating leases are those leases where a significant portion of the risk and rewards of ownership are effectively retained by the lessor.

Payments made under operating leases are recognised in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the lease term, where the lessee does not bear substantially all of the risks and rewards of ownership associated with the asset. Associated costs, such as maintenance and insurance, are expensed as incurred.

Finance leases

Management applies judgment in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the assets value and whether the group obtains ownership of the asset at the end of the lease term.

Finance leases are classified at the lease's inception at the fair value of the leased asset or, if lower, the present value of minimum lease payments. The corresponding rental obligations, net of finance lease charges, are included in other short-term and long-term trade and other payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The group did not have any assets under finance lease for the prior period 31 December 2018 and in prior years.

5.22 Impairment testing of intangible assets and plant and equipment

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

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

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

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

5.23 Financial instruments

Recognition and derecognition

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

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

Classification and initial measurement of financial assets

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

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

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

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

The classification is determined by both:

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

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs or investment income, except for impairment of trade receivables which is presented within administrative expenses.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

• they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
• the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The group's cash and cash equivalents, loans and receivables, contract assets and trade and most other receivables fall into this category of financial instruments.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

As already indicated above, the group held no financial assets at fair value through profit or loss.

Financial assets at fair value through other comprehensive income (FVOCI)

Financial assets at FVOCI are classified accordingly if the assets meet the following conditions:

- they are held under a business model whose objective it is "hold to collect" the associated cash flows and sell, and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income will be recycled upon derecognition of the asset.

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

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaced IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI (the group had no debt-type financial assets at FVOCI), trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss (the group had no financial guarantee contracts).

Recognition of credit losses is no longer dependent on the group first identifying a credit loss event. Instead the group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

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

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

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

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

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

Trade and other receivables and contract assets

The group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The group assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due. Refer to note 43.2 for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

Classification and measurement of financial liabilities

The group's financial liabilities include debt securities in issue, borrowings, lease liabilities and trade and other payables and other financial liabilities.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the group designates a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments). The group does not hold derivatives and financial liabilities designated at FVTPL.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or investment income.

5.24 Inventories

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

5.25 Income taxes

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

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

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

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

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

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

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

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

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

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

5.26 Cash and cash equivalents

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

5.27 Equity and reserves

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

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

Translation reserve comprises foreign currency translation differences arising from the translation of financial statements of the group's entities denominated in foreign currencies.

Dividend distributions payable to equity shareholders are included with short-term financial liabilities when the dividends are approved in general meeting prior to the end of the reporting period.

5.28 Provisions and contingent liabilities

Provisions for legal disputes, onerous contracts or other claims are recognised when the group and the company have a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the group and the company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised.

5.29 Significant management judgement in applying accounting policies and estimation uncertainty

When preparing the financial statements management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgements

The following are the judgements made by management in applying the accounting policies of the group that have the most significant effect on the financial statements.

Recognition of service and contract revenues

As revenue from after-sales maintenance agreements and consulting and development of systems contracts is recognised over time, the amount of revenue recognised in a reporting period depends on the extent to which the performance obligation has been satisfied. For after-sales maintenance agreements this requires an estimate of the quantity of the services to be provided, based on historical experience with similar contracts. In a similar way, recognising revenue for consulting and development of systems contracts also requires significant judgment in determining the estimated number of hours required to complete the promised work when applying the hours-to-hours method described in note 5.11. Management however considers that any variance in estimates on ongoing contracts would be insignificant to the group.

Capitalisation of internally developed software

Distinguishing the research and development phases of a new customised software project and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired (see note 5.18).

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions (see note 5.25).

Estimation uncertainty

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

Impairment of intangible assets including goodwill and tangible assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows (see note 5.22). In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the group's assets within the next financial year.

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

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

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

At 31 December 2019, goodwill was allocated as follows:

- € 21,299,587 (2018: € 21,368,029) to the polish subsidiary iSpot Poland Sp. z.o.o. which operates the Apple Premium Reseller Business.
- € 3,357,248 (2018: € 3,357,248) to APCO Systems Limited which operates the electronic payment gateway.
- € 2,671,762 (2018: € 2,671,762) to APCO Limited which operates in the business of selling and maintenance of IT solutions and security systems.
- € 1,464,476 (2018: € 1,464,476) to PTL Limited which operates in the business of selling and maintenance of IT solutions and security systems.
- € 22,184,920 (2018: € 25,424,366) to Hili Logistics group which operates in the business of providing road, sea and air logistics services.

CGU – Retail and IT Solutions (Poland)

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

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

- forecasted cash flow projections for the next three years and projection of terminal value using the perpetuity method;
- growth rates to perpetuity of 0.26%; and
- use of 11.2% (pre-tax) (2018: 13.2%) to discount the projected cash flows to net present values

During the year, the directors recognised an impairment loss of € 289,388 (see note 16). Based on the above assessment, the directors expect the carrying amount of goodwill and intangible assets with an indefinite useful life to be recoverable.

CGU – Payment Processing Services

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

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

- forecasted cash flow projections for the next three years and projection of terminal value using the perpetuity method;
- growth rates to perpetuity of 0.26%; and
- use of 14.5% (pre-tax) (2018: 17.2%) to discount the projected cash flows to net present values

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

CGU – IT Solutions and Security Systems

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

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

- forecasted cash flow projections for the next three years and projection of terminal value using the perpetuity method;
- growth rates to perpetuity of 0.26%; and
- use of 13.9% - 17.1% (pre-tax) (2018: 13.2% - 17.1%) to discount the projected cash flows to net present values

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

CGU – Hili Logistics group

The directors of Hili Logistics group consider that the logistics business represents one single, consistent and homogenous operating segment. In defining this assumption for the purpose of testing goodwill for impairment, the directors consider that although the entity has essentially three operating interests, each component on its own is not representative of a separate component of the group's operations. Moreover decisions about resource allocation are made for the logistics operations of Malta 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 0.26%; and
- use of 10.4% - 14.1% (pre-tax) (2018: 8.7% - 12.8%) to discount the projected cash flows to net present values

Subsequent to year end, as part of this CGU's restructuring exercise, it is probable that the operations of all the subsidiaries of Hili Logistics that are based in Malta, will be taken over by another of the group's indirect subsidiaries, likely being Carmelo Caruana Company Limited.

In their calculations, the directors have also taken into account the plans to restructure the composition of the Hili Logistics group during 2020, which is expected to be completed by the end of that financial year.

Based on the above assessment, the directors have concluded that an impairment charge of € 3,500,000 on the carrying amount of this CGU is to be recognised for the year ended 31 December 2019 (see note 16). No impairment was necessary in the previous year.

Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets to the group. Actual results, however, may vary due to technical obsolescence.

Inventories

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

Business combinations

Management uses valuation techniques when determining the fair values of certain assets and liabilities acquired in a business combination (see note 5.4).

6 Segment reporting

The group operates four (2018: four) business activities which are the sale of retail and IT solutions in Poland predominately as an Apple Premium Reseller, the sale of payment processing services, the provision of IT solutions and security systems and the provision of road, sea and air logistics services. Each of these operating segments is managed separately as each of these lines requires local resources. All inter segment transfers for management services are carried out on a cost basis.

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

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

The group operated in 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 mainly from Malta whilst the sale of Apple products is derived from Poland. The provision of road, sea and air logistics services is carried out in Malta and in Poland.

In 2019 and 2018, the group did not have any clients which individually represented 10% or more of the total revenue of the group.

As at the end of the reporting period the total amount of intangible assets and plant and equipment in amounted to € 12,177,049 (2018: € 12,099,714) and € 5,610,785 (2018: € 6,629,098), 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 5.

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

Profit and loss before tax

	2019 €	2018 €
Total profit for reportable segments	4,996,240	1,767,790
Unallocated amounts:		
Interest expense	(1,464,086)	(1,425,244)
Other unallocated amounts	(490,279)	(1,407,287)
	3,041,875	**(1,064,741)**

Assets

	2019 €	2018 €
Total assets for reportable segments	113,872,917	71,890,441
Elimination of receivables	(95,953,695)	(68,756,928)
Unallocated amounts:		
Goodwill	50,977,994	54,285,881
Intangible assets	10,853,223	10,746,987
Plant and equipment	1,968,312	1,972,920
Right-of-use assets	447,219	-
Loans and receivables	40,881,758	44,614,145
Deferred tax assets	144,738	20,719
Trade and other receivables	2,104,257	2,326,427
Cash and cash equivalents	10,928,860	1,803,433
Current tax assets	827,233	816,790
Other unallocated amounts	222,344	1,072,927
	137,275,160	**120,793,742**

Liabilities

	2019 €	2018 €
Total liabilities for reportable segments	88,801,541	80,425,653
Elimination of liabilities	(63,424,411)	(67,425,505)
Unallocated amounts:		
Debt securities in issue	35,596,464	35,515,557
Other financial liabilities	29,155,871	32,674,668
Lease liabilities	460,190	-
Deferred tax liabilities	404,709	371,910
Trade and other payables	1,218,023	913,738
	92,212,387	**82,476,021**

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) €	Payment processing services €	IT Solutions and security systems €	Land, sea and air logistics services €	Total €	Unallocated €	Eliminations and adjustments €	Consolidated €
2019								
Revenue	106,877,066	6,138,051	11,304,096	16,088,378	140,407,591	1,988,536	(7,498,321)	134,897,806
Profit before tax	664,530	3,069,199	623,027	639,484	4,996,240	4,382,770	(6,337,135)	3,041,875
Depreciation and amortisation	4,523,068	348,334	359,769	181,457	5,412,628	110,020	(38,041)	5,484,607
Segment assets	93,446,688	4,077,031	8,991,426	7,357,772	113,872,917	122,129,191	(98,726,948)	137,275,160
Capital expenditure	955,272	347,458	28,830	58,587	1,390,147	3,376	-	1,393,523
Segment liabilities	73,516,755	2,348,186	8,202,239	4,734,362	88,801,542	66,315,987	(62,905,142)	92,212,387
Income tax expense	275,022	1,047,613	229,248	208,309	1,760,192	1,092,463	(1,417,259)	1,435,396
2018								
Revenue	99,689,482	3,726,545	12,553,799	16,287,553	132,257,379	2,123,492	(12,358,120)	122,022,751
Profit (loss) before tax	(53,509)	1,609,487	(106,591)	318,403	1,767,790	3,469,985	(6,302,516)	(1,064,741)
Depreciation and amortisation	1,890,102	217,581	116,441	180,163	2,404,287	99,041	(40,665)	2,462,663
Segment assets	51,868,916	3,967,281	8,259,993	7,794,251	71,890,441	159,232,284	(110,328,983)	120,793,742
Capital expenditure	1,189,170	323,320	138,196	7,821	1,658,507	4,532	-	1,663,039
Segment liabilities	64,410,437	2,801,352	7,808,821	5,405,043	80,425,653	69,103,968	(67,053,600)	82,476,021
Income tax expense (credit)	(191,524)	563,320	(21,358)	152,732	503,170	782,091	(1,132,647)	152,614

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:

	The group 2019 €	The group 2018 €	The company 2019 €	The company 2018 €
Sale and distribution of Apple products	101,900,317	86,013,626	-	-
Sale of IT related products	6,164,804	6,829,844	-	-
Logistics and transport services	16,208,378	16,407,553	-	-
Rendering of services and development	2,494,701	5,951,850	-	-
Maintenance, support and servicing	3,198,077	2,947,712	-	-
Payment gateway services	4,931,529	3,872,166	-	-
Management fees	-	-	1,035,833	1,080,000
	134,897,806	**122,022,751**	**1,035,833**	**1,080,000**

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

Sale and distribution of Apple products occurs mainly in Poland which accounts for approximately 99% (2018: 98%) of this category, with the remainder being generated from Romania. IT related products comprises the sale of information technology systems, security systems and other sale of products related to the technology business and is generated mainly from the Maltese operations of the group, with some projects being executed internationally. Logistics and transport services income is generated from Malta and Poland with each contributing to the extent of 29% and 71% (2018: 30% and 70%), respectively. All other revenue included in the above analysis is generated from the Maltese operations.

Other information concerning the types of contracts and contract durations, as relevant, are provided in notes 5.11 and 35.

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

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

	The group 2019 €	The group 2018 €
Contract assets relating to rendering of services and development	129,135	659,727
Contract assets relating to maintenance, support and servicing	-	58,552
Contract assets relating to commission income accrued on gateway	86,863	186,779
	215,998	**905,058**

Contract assets have decreased since the group still had a number of significant projects that had not yet been billed for performance obligations that have been satisfied by the end of 2018. A number of these projects have been completed during the current financial year. The group does not expect any loss allowances from such amounts, as these are due from customers with no history of losses and which are considered of good credit quality. The assessment of credit losses on balances at 31 December 2019 did not result in any material amount and considered by management to be insignificant.

Unsatisfied long-term performance obligations

The following aggregated amounts of transaction prices relate to the performance obligations from existing contracts that are unsatisfied or partially unsatisfied as at 31 December 2019:

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

The comparative information as at the end of the previous reporting period ending 31 December 2018 was as follows:

	2019	2020	2021	Later
	€	€	€	€
Maintenance and servicing	751,068	754,674	575,102	53,733
Total revenue expected to be recognised	**751,068**	**754,674**	**575,102**	**53,733**

Revenue from the sale of goods amounting to € 4,638,714 in 2020 and € 599,656 in 2021 along with revenue generated from consulting services and development amounting to € 657,858 in 2020 pertains to revenue estimated to be recognised in the Harvest Technology p.l.c. group from a major overseas technology implementation project initiated at the end of the current year and carried out in collaboration with IBM. No revenue has been recognised on this project as it is still in its early phases. The corresponding inventories on this contract has been disclosed as contract inventories in note 25. The revenue from maintenance and servicing expected to be recognised from 2020 onwards includes revenue from normal local operations on maintenance contracts and as from 2021 onwards also on overseas maintenance contracts.

8 Other operating income

	The group 2019	The group 2018	The company 2019	The company 2018
	€	€	€	€
Other operating income	154,726	81,237	12,960	-
	154,726	**81,237**	**12,960**	**-**

9 Investment income

	The group 2019	The group 2018	The company 2019	The company 2018
	€	€	€	€
Other interest income	427	17,718	-	17,718
Interest income from ultimate parent	273,817	151,587	-	-
Interest income from other related parties	21,111	33,027	732,049	765,087
Dividends from subsidiaries	-	-	1,456,345	4,200,401
Gain on disposal of shares in subsidiary	5,881,742	-	5,881,742	-
	6,177,097	**202,332**	**8,070,136**	**4,983,206**

	The group 2019 €	The group 2018 €	The company 2019 €	The company 2018 €
Comprising:				
Investment and other income	295,355	202,332	2,188,394	4,983,206
Gain on disposal of shares in subsidiary	5,881,742	-	5,881,742	-
	6,177,097	**202,332**	**8,070,136**	**4,983,206**

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

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

10 Finance costs

	The group 2019 €	The group 2018 €	The company 2019 €	The company 2018 €
Interest on bank borrowings	358,023	687,932	23,274	-
Interest on bonds	1,836,000	1,836,000	1,836,000	1,836,000
Interest expense for leasing arrangements	430,170	-	-	-
Other interest payable	104,153	35,255	-	32,296
Intra-group interest payable	109,722	89,759	787,660	533,294
Other finance costs	11,266	10,312	-	-
Amortisation of bond issue costs	80,907	80,907	80,907	80,907
	2,930,241	**2,740,165**	**2,727,841**	**2,482,497**

11 Profit (loss) before tax

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

	The group 2019 €	The group 2018 €	The company 2019 €	The company 2018 €
Depreciation and amortisation (notes 17 and 18)	2,243,195	2,462,663	1,846	1,000
Depreciation on right-of-use assets (note 19)	3,241,412	-	-	-
Net exchange differences	(158,809)	166,031	(93,712)	-

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 € 71,584 (2018: € 67,493) and the remuneration payable to the other auditors in respect of the audits of the undertakings included in the consolidated financial statements amounted to € 39,769 (2018: € 21,440). Other fees payable to the parent company's auditors for non-audit services, namely tax services, amounted to € 11,656 (2018: € 8,380).

Holding company

Total remuneration payable to the parent company's auditors for the audit of the company's financial statements amounted to € 6,450 (2018: € 6,000). There are no other fees payable to the parent company's auditors for non-audit services other than other assurance services and tax advisory services.

12 Key management personnel compensation

	The group 2019 €	The group 2018 €	The company 2019 €	The company 2018 €
Directors' compensations				
Short term benefits:				
Fees	12,000	24,000	12,000	24,000
Management remuneration	1,578,147	1,293,720	580,092	235,381
Value of services provided by an officer of the group	-	38,441	-	-
	1,590,147	**1,356,161**	**592,092**	**259,381**
Directors' compensations				
Short term benefits:				
Salaries and social security contributions	**637,892**	**338,416**	**-**	**77,144**
Total key management personnel compensation				
Short term benefits	**2,228,039**	**1,694,577**	**592,092**	**336,525**

12.1 Share-based payments

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

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

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

The movements on the share options were as follows:

	Share options No.
Granted in 2016	1,139,032
Shares transferred in 2016 and 2017	(29,410)
Outstanding at 31 December 2017	**1,109,622**
Shares transferred in 2018	(14,705)
Outstanding at 31 December 2018	**1,094,917**
Shares transferred in 2019	(14,705)
Share options exercised	(1,080,212)
Outstanding at 31 December 2019	**-**

The fair value of the options granted was determined by reference to the fair value of the equity instruments granted at grant date using a variation of the binomial option pricing model that 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	0.42
Option life	8 years
Dividend yield	10.83%
Risk-free investment rate	1.4%
Fair value of the option at 31 December 2018	€ 0.141
Exercise price at grant date (€)	€ 1.36
Exercisable from / to	24 October 2016 / 23 October 2024

The effect of the share-based payment transaction on the statements 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 2019 €	The group 2018 €	The company 2019 €	The company 2018 €
Administrative costs	-	38,441	-	38,441

Statements of financial position

	The group 2019 €	The group 2018 €	The company 2019 €	The company 2018 €
Non-current assets				
Investment in subsidiary	-	-	-	(14,705)
Receivable from subsidiary	-	-	-	38,441
Equity				
Non-controlling interest	-	(14,705)	-	-
Other reserves	-	(23,736)	-	(23,736)

13 Employee remuneration

Expenses recognised for staff costs are analysed below:

	The group 2019 €	The group 2018 €	The company 2019 €	The company 2018 €
Wages and salaries	11,754,267	11,125,688	574,309	250,680
Social security costs	1,398,822	1,254,858	17,783	8,340
Maternity fund contributions	7,590	6,924	-	361
	13,160,679	**12,387,470**	**592,092**	**259,381**
Recharges from related parties	46,401	-	-	-
Capitalised wages	(277,038)	(96,273)	-	-
Recharges to related parties	(3,968)	-	-	-
	12,926,074	**12,291,197**	**592,092**	**259,381**

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

	The group 2019	The group 2018
Operations	418	423
Administration	100	122
	518	**545**

14 Tax expense

The major components of tax expense and the reconciliation of the expected tax expense (income) based on the effective tax rate of the group and the company at 35% (2018: 35%) and the reported tax expense in the statements of profit or loss and other comprehensive income are as follows:

	The group 2019 €	The group 2018 €	The company 2019 €	The company 2018 €
Profit (loss) before tax	3,041,875	(1,064,740)	(608,741)	2,294,744
Tax rate	35%	35%	35%	35%
Expected tax at the applicable rate	**1,064,656**	**(372,659)**	**(213,059)**	**803,161**
Tax effect of:				
Different tax rates of subsidiaries operating in other jurisdictions	(93,248)	(138,575)	-	(596,032)
Under provision of tax in prior year	22,634	114,980	-	114,980
Deferred tax not recognised	(120,458)	380,915	-	350
Adjustment for adoption of IFRS 15	-	(21,654)	-	-
Non-taxable income	(2,380,988)	-	(1,548,889)	-
Deferred tax asset movement	(479)	-	-	-
Effect of FRFTC	(751)	-	(751)	-
Loss on discontinued operations	3,034	-	-	-
Disallowed expenses	2,162,466	159,852	1,738,380	(826)
Loss on foreign investment	543,792	-	543,792	-
Unabsorbed tax losses	232,325	-	-	-
Permanent differences	2,413	29,755	(350)	-
Actual tax expense, net	**1,435,396**	**152,614**	**519,123**	**321,633**

	The group 2019 €	The group 2018 €	The company 2019 €	The company 2018 €
Comprising:				
Current tax expense	1,155,642	295,861	509,680	206,653
Deferred tax expense (income)	279,754	(258,227)	9,443	-
Under provision of tax in prior year	-	114,980	-	114,980
	1,435,396	**152,614**	**519,123**	**321,633**

Refer to note 37 for information on the deferred tax movements of the group and the company.

15 Dividends

No dividend was declared and paid during the year (2018: € 5,800,000).

16 Goodwill

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

	The group €
At 1 January 2018	56,001,331
Effect of exchange differences on retranslation of goodwill on foreign subsidiaries	(1,715,450)
At 31 December 2018	**54,285,881**
At 1 January 2019	54,285,881
Effect of exchange differences on retranslation of goodwill on foreign subsidiaries	304,819
Amounts recognised on acquisition of a subsidiary within the group	176,681
Impairment of goodwill	(3,789,388)
At 31 December 2019	**50,977,993**
Carrying amount	
At 31 December 2018	**54,285,881**
At 31 December 2019	**50,977,993**

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

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

Amounts recognised as goodwill prior to acquisitions of subsidiaries made up to 2013 were based on predecessor accounting principles while the goodwill recognised in 2014, 2016, 2017 and 2019 was based on the acquisition accounting principles.

During September 2019, the group acquired the entire share capital of CCFO Malta Limited as disclosed in note 21.1. The goodwill arising on this transaction amounted to € 176,681.

17 Intangible assets – The group

	€
Gross carrying amount	
At 1 January 2018	13,149,984
Additions	473,869
Disposals	(140,059)
Effect of foreign exchange differences	(745,730)
At 31 December 2018	**12,738,064**
At 1 January 2019	12,738,064
Additions	385,304
Disposals	(114,141)
Effect of foreign exchange differences	87,349
At 31 December 2019	**13,096,576**

	€
Amortisation	
At 1 January 2018	425,602
Provision for the year	349,458
Released on disposal	(110,760)
Effect of foreign exchange differences	(25,950)
At 31 December 2018	**638,350**
At 1 January 2019	638,350
Provision for the year	328,126
Released on disposal	(34,876)
Effect of foreign exchange differences	(12,073)
At 31 December 2019	**919,527**
Carrying amount	
At 31 December 2018	**12,099,714**
At 31 December 2019	**12,177,049**

The amortisation charge was included in administrative expenses.

Intangible assets include separately identified intangible assets acquired during 2014 as part of the business combinations amounting to € 12,000,000 which have been recognised separately from goodwill. In 2019, intangible assets were adjusted upwards by € 99,422 following an improvement of the Polish Zloty from the date of acquisition to the balance sheet date. In 2018, intangible assets were adjusted downwards by € 719,780 following an deterioration of the Polish Zloty from prior year.

These intangible assets relate to:

- SAD's Apple Premium Reseller operations operating under the brand iSpot together with related contracts – € 10,853,223 (2018: € 10,740,689). The useful life of this asset is considered to be indefinite as there was no foreseeable limit to the period over which the asset is expected to generate net cash inflows. In arriving at this conclusion management considered such factors as the stability of the industry and changes in the demand for such products. This assessment is reassessed periodically.

- APCO's payment gateway system – € 1,000,000. The useful life of this asset was considered to be finite due to possible technological obsolescence and is being amortised on a straight line basis. Until 31 December 2014, the group was amortising the intangible asset over three years. Following the knowledge generated, the group re-assessed the remaining useful life of the asset to be ten years. Had the group not-reassessed the remaining useful life, the additional amortisation for the years 2015, 2016 and 2017 would have amounted to € 233,000 annually more. This asset would have been fully amortised by 31 December 2017 had the group not re-assessed the remaining useful life. As from 2018, the yearly amortisation on this asset amounts to € 89,855. The amortisation charge for the year is included within administrative expenses.

18 Plant and equipment – The group

	Improvements to premises €	Equipment €	Motor vehicles €	Furniture, fixtures and fittings €	Total €
Cost					
At 1 January 2018	6,370,223	3,699,789	377,041	5,338,146	15,785,199
Additions	162,013	579,912	33,366	413,879	1,189,170
Disposals for the year	(61,815)	(160,266)	(140,543)	(157,139)	(519,763)
Effect of foreign currency exchange differences	(8,331)	(1,907)	(2,682)	(2,130)	(15,050)
At 31 December 2018	**6,462,090**	**4,117,528**	**267,182**	**5,592,756**	**16,439,556**
At 1 January 2019	6,462,090	4,117,528	267,182	5,592,756	16,439,556
Additions	91,384	714,709	24,157	177,969	1,008,219
Disposals for the year	(303,323)	(480,578)	(49,047)	(190,223)	(1,023,171)
Effect of foreign currency exchange differences	2,815	(44)	776	(127)	3,420
At 31 December 2019	**6,252,966**	**4,351,615**	**243,068**	**5,580,375**	**16,428,024**
Depreciation					
At 1 January 2018	2,186,564	2,384,432	223,379	3,116,430	7,910,805
Charge for the year	741,525	563,811	52,771	755,098	2,113,205
Released on disposal	42,530	(63,591)	(82,825)	(86,519)	(190,405)
Effect of foreign currency exchange differences	(7,104)	(5,129)	(2,206)	(8,708)	(23,147)
At 31 December 2018	**2,963,515**	**2,879,523**	**191,119**	**3,776,301**	**9,810,458**
At 1 January 2019	2,963,515	2,879,523	191,119	3,776,301	9,810,458
Charge for the year	550,157	676,829	44,335	643,748	1,915,069
Released on disposal	(337,317)	(398,013)	(23,937)	(153,903)	(913,170)
Effect of foreign currency exchange differences	3,187	612	469	614	4,882
At 31 December 2019	**3,179,542**	**3,158,951**	**211,986**	**4,266,760**	**10,817,239**
Carrying amount					
At 31 December 2018	**3,498,575**	**1,238,005**	**76,063**	**1,816,455**	**6,629,098**
At 31 December 2019	**3,073,424**	**1,192,664**	**31,082**	**1,313,615**	**5,610,785**

18 Plant and equipment – The company

	€
Gross carrying amount	
Additions	4,000
At 31 December 2018	**4,000**
At 1 January 2019	4,000
Additions	3,376
At 31 December 2019	**7,376**
Amortisation	
Provision for the year	1,000
At 31 December 2018	**1,000**
At 1 January 2019	1,000
Provision for the year	1,846
At 31 December 2019	**2,846**
Carrying amount	
At 31 December 2018	**3,000**
At 31 December 2019	**4,530**

The depreciation charge was included in administrative expenses.

19 Right-of-use assets – The group

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

	Buildings €	Motor vehicles €	IT equipment €	Total €
Gross carrying amount				
Adjustment on transition to IFRS 16 at 1 January 2019	12,960,802	450,364	48,110	13,459,276
Additions	-	76,633	-	76,633
At 31 December 2019	**12,960,802**	**526,997**	**48,110**	**13,535,909**
Depreciation				
Provision for the year	3,079,535	127,038	34,839	3,241,412
At 31 December 2019	**3,079,535**	**127,038**	**34,839**	**3,241,412**
Carrying amount				
At 31 December 2019	**9,881,267**	**399,959**	**13,271**	**10,294,497**

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

The group has elected to disclose right-of-use assets separately in these financial statements. The information pertaining to the gross carrying amount, depreciation recognised during the year and other movements in right-of-use assets is included in the above table. Information pertaining to lease liabilities and their corresponding maturities are disclosed separately in note 20. Information about the transition to IFRS 16 and the respective accounting policy for the measurement and recognition of leases are disclosed in notes 4.1 and 5.21 respectively.

On transition to IFRS 16 the weighted average incremental borrowing rates applied to lease liabilities recognised under IFRS 16 was 3% on leases in Poland for the retail and IT solutions and 3.93% on leases in Malta and Poland for all other operations. The transition date was 1 January 2019. At this date, the group has elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition. All additions to right-of-use assets during the current reporting period have been recognised using the same rate of 3.93% as these were additions for leases in Malta and as there were no changes in the such rate on the date when the new leases came into effect. The incremental borrowing rate will be re-assessed every time a new lease is entered into by the group and the corresponding right-of-use asset recognised. New leases are assessed on a case-by-case basis.

On transition to IFRS 16, the group has also applied single discount rates to its portfolio of building leases as these have reasonably similar characteristics. Upon initial recognition, most of the buildings leased by the group in Malta and the logistics business in Poland had similar remaining lease terms and utilised in a similar economic and commercial environment. For leases of the outlets pertaining to the retail and IT solutions in Poland, the group has applied the discount rate of 3% applicable for each lease agreement and according to the lease duration due to the number of outlets occupied by this division in that country. In addition, the group has financed all of its obligations internally and has therefore not been subject to market fluctuations in the interest rate from its borrowings with third-parties. The group does not expect this rate to vary significantly in the foreseeable future. Motor vehicles and IT equipment classified under right-of-use assets, are not considered by the group to be significant and therefore their initial measurement was not subject to a high degree of uncertainty upon recognition from the transition to IFRS 16.

20 Leases – The group

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

	2019 €
Current:	
Lease liability	2,958,319
Non-current:	
Lease liability	7,541,426
	10,499,745

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

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

The range of the remaining lease term of the group's buildings is 1 - 10 years, whilst the range of the remaining lease term of the motor vehicles and IT equipment is 1 - 5 years and 1 – 2 years, respectively.

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 December 2019 were as follows:

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

The group did not have any leases classified as finance leases during the previous reporting period and therefore a comparative information table is not applicable.

Lease payments not recognised as liabilities

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

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

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

	2019 €	2018 €
Short-term leases of warehouse	59,984	-
Variable lease payments	210,292	111,783
	270,276	**111,783**

21 Investment in subsidiaries

21.1 The company

	2019 €	2018 €
At 1 January	64,910,308	64,923,823
Acquired upon merger	-	1,190
Impairment	(4,730,637)	-
Disposals	(4,847,094)	(14,705)
At 31 December	**55,332,577**	**64,910,308**

The company acquired an investment in a subsidiary upon the merger with iSpot Holdings BV on 5 September 2018.

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

In 2019 and 2018, the company made disposals of shares held in Harvest Technology p.l.c. as disclosed in notes 9 and 12.

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

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

21.2 The group

1923 Investments p.l.c. has investments in the following subsidiaries:

Name of subsidiary	Place of incorporation	Proportion ownership interest		Holding	Portion voting power held		Principal activity
		2019	2018		2019	2018	
		%	%		%	%	
Harvest Technology p.l.c	Malta	62.95	100	Direct	100	100	Holding company
iSpot Poland Sp. z o.o	Poland	100	100	Direct	100	100	Sale of retail and IT solutions
Hili Logistics Limited	Malta	100	100	Direct	100	100	Holding company
PTL Limited	Malta	100	100	Indirect	100	100	Sale of IT solutions and security systems
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 IT solutions and security systems
SAD Sp. z o.o	Poland	100	100	Indirect	100	100	Sale of retail and IT solutions
iSpot Premium Romania	Romania	100	100	Indirect	100	100	Sale of retail and IT solutions
Ipsyon Ltd	Malta	100	100	Indirect	100	100	Holding of intellectual property
Eunoia Ltd	Malta	-	100	Indirect	-	100	Sale of software
Carmelo Caruana Company Limited	Malta	100	100	Indirect	100	100	Shipping agent and freight forwarder
Carmelo Caruana Freeport Operations Limited	Malta	100	100	Indirect	100	100	Transhipment and storekeeping
CCFO Malta Limited (formerly Peterson Malta Limited)	Malta	100	50	Indirect	100	50	Transhipment and storekeeping
Global Parcels Limited	Malta	100	100	Indirect	100	100	Parcel delivery service
STS Support Services BVI	British Virgin Islands	-	100	Indirect	-	100	Ship to ship services
Allcom Sp. z.o.o.	Poland	100	100	Indirect	100	100	Shipping and freight forwarding
Poang Limited (merged with APCO Systems Limited)	Malta	N/A	100	Indirect	N/A	100	Software development

Information about direct subsidiaries of the company is as follows:

Name of company	Registered office	Capital and reserves at 31 December		Profit/(loss) for the year ended 31 December	
		2019	2018	2019	2018
		€	€	€	€
Harvest Technology p.l.c	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta	11,585,011	11,439,579	1,095,432	849,856
iSpot Poland Sp. z o.o	UL. Pulawska 2, 02-566 Warsaw, Poland	10,950,547	(12,482,696)	203,573	530,024
iSpot Premium Romania	1st District, 246 B Floreasca street, Shopping Centre Promenada, first floor Unit no. 1F-055, Bucharest, Romania	(335,510)	(254,172)	(86,688)	(317,624)
Hili Logistics Limited	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta	22,638,359	26,329,418	(3,691,059)	(61,572)

The company also has indirect investments in subsidiaries as follows:

Name of company	Registered office
PTL Limited	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta
APCO Limited	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta
APCO Systems Limited	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta
Poang Limited (merged with APCO Systems Limited)	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta
Ipsyon Ltd	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta
Carmelo Caruana Company Limited	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta
Carmelo Caruana Freeport Operations Limited	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta
Global Parcels Limited	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta
Allcom Sp. z o.o.	ul. Mariacka 9, 81-383 Gdynia, Poland
CCFO Malta Limited (formerly Peterson Malta Limited)	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta

22 Investments accounted for using the equity method

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

	The group 2019 €	The group 2018 €
Investment in associates	270,678	107,950
Investment in joint ventures	907,996	800,439
	1,178,674	**908,389**

22.1 Investment in associates

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

	The group 2019 €	The group 2018 €
At 1 January	107,950	133,357
Share of profits and losses	246,028	121,593
Dividends from associate	(83,300)	(147,000)
At 31 December	**270,678**	**107,950**

The group has investment in associates through Hili Logistics Limited as follows:

Name of company	Proportion of ownership interest		Capital and reserves at 31 December		Profit/(loss) for the year ended 31 December	
	2019 %	2018 %	2019 €	2018 €	2019 €	2018 €
CMA CGM Agency Malta Ltd	49	49	557,309	220,308	506,890	263,956
CCFO Malta Limited (formerly Peterson Malta Limited)	N/A	50	N/A	(183,942)	N/A	(176,791)

The net accumulated interest in the net assets of CMA CGM Agency Malta Limited and CCFO Malta Limited amount to € 270,678 and € Nil, respectively as at 31 December 2019 (2018: € 107,950 and € Nil, respectively).

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

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

22.2 Investment in joint ventures

	The group 2019 €	The group 2018 €	The company 2019 €	The company 2018 €
At 1 January	800,439	1,036,122	682,375	682,375
Share of profits and losses	107,557	69,714	-	-
Transfer to investment in subsidiaries	-	(305,397)	-	-
At 31 December	**907,996**	**800,439**	**682,375**	**682,375**

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

Name of company	Proportion of ownership interest		Capital and reserves at 31 December		Profit/(loss) for the year ended 31 December	
	2019	2018	2019	2018	2019	2018
	%	%	€	€	€	€
Hili Salomone Company Limited	50	50	(3,200)	(3,200)	-	-
iCentre Hungary Kft	50	50	901,159	745,087	215,114	139,428

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

The investment in joint venture in iCentre Hungary Kft was a result of the merger as disclosed in note 3. The company holds 50% directly in iCentre Hungary Kft. The registered office of iCentre Hungary Kft is Bécsi út 77-79, 1036 Budapest, Hungary.

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

	The group 2019	The group 2018
	€	€
Carrying asset amount	907,996	800,439
Group's share of total profit / total comprehensive income	107,557	69,714

Included in the investment in joint ventures, is an investment of € 907,996 (2018: € 800,439) pertaining to the investment in iCentre Hungary Kft. A summary of the financial information of this joint venture is set out below:

	The group 2019	The group 2018
	€	€
Current assets	4,608,615	2,751,041
Non-current assets	637,285	635,764
Current liabilities	(4,344,741)	(2,641,718)
Net assets	**901,159**	**745,087**
Revenue	14,590,518	12,316,075
Expenses	(14,304,987)	(12,117,234)
Profit for the year (net of tax)	215,114	139,428
Group's share of total profit / total comprehensive income	107,557	69,714

23 Other investment

	The group 2019	The group 2018
	€	€
As at 1 January and 31 December	**50,000**	**50,000**

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

24 Loans and receivables

	The group 2019 €	The group 2018 €	The company 2019 €	The company 2018 €
Loans receivable from ultimate parent	1,919,796	7,729,047	1,852,796	-
Loans receivable from subsidiaries	-	-	37,565,396	38,391,285
Loans receivable from other related parties	7,384,269	226,327	111,977	110,134
Loan receivable from associate	-	73,500	-	-
Other receivables	1,430,604	1,533,882	-	-
	10,734,669	**9,562,756**	**39,530,169**	**38,501,419**
Comprising:				
Non-current				
Loans receivable from ultimate parent	830,652	6,809,189	763,652	-
Loans receivable from subsidiaries	-	-	33,965,396	34,791,285
Loans receivable from other related parties	122,560	180,133	111,977	110,134
Other receivables	1,430,604	1,533,882	-	-
	2,383,816	**8,523,204**	**34,841,025**	**34,901,419**
Current				
Loans receivable from ultimate parent	1,089,144	919,858	1,089,144	-
Loans receivable from subsidiaries	-	-	3,600,000	3,600,000
Loans receivable from other related parties	7,261,709	46,194	-	-
Loan receivable from associate	-	73,500	-	-
	8,350,853	**1,039,552**	**4,689,144**	**3,600,000**

Loans issued to ultimate parent, subsidiaries, other related parties and associate bear an interest of 4.5% (2018: 4.5%) per annum. Though these loans have no fixed date for repayment, they are not expected to be realised within 12 months of the end of the reporting year.

25 Inventories

	The group 2019 €	The group 2018 €	The company 2019 €	The company 2018 €
Contracts in progress	1,652,606	-	-	-
Finished goods and goods held for resale	9,823,831	15,840,850	-	-
	11,476,437	**15,840,850**	**-**	**-**

The amount of inventories recognised as an expense during the year amounted to € 93,800,756 (2018: € 82,473,266).

Write-downs of inventories recognised in the consolidated statement of profit or loss and other comprehensive income during the year amounted to € 35,041 (2018: € 21,805) and are included with cost of sales.

26 Other assets

	The group 2019 €	The group 2018 €	The company 2019 €	The company 2018 €
Assets recognised from costs to fulfil contracts	-	197,698	-	-
Prepayments	1,444,414	1,414,742	3,819	53,189
	1,444,414	**1,612,440**	**3,819**	**53,189**

The group has recognised assets in relation to costs incurred in its rendering of services and maintenance and support that is used to fulfil these contracts. The asset is amortised over the term of the specific contract it relates to, consistent with the pattern of recognition of the associated revenue. Management expects the costs to be completely recovered in the next 12 months.

27 Trade and other receivables

Trade and other receivables consist of the following:

	The group 2019 €	The group 2018 €	The company 2019 €	The company 2018 €
Trade receivables – gross	8,626,471	8,600,934	-	-
Allowance for expected losses	(491,760)	(882,131)	-	-
Trade receivables – net	8,134,711	7,718,803	-	-
Amount owed by ultimate parent	654	1,108,216	-	16,960
Amounts owed by associates	512,067	412,955	-	-
Amounts owed by other related parties	1,500,457	1,756,108	-	150,399
Other receivables	38,342	81,822	26,069	19,148
Accrued income	360,530	121,464	137,500	-
Financial assets	**10,546,761**	**11,199,368**	**163,569**	**186,507**
Other receivables	1,258,490	1,428,191	190,515	223,303
Trade and other receivables – current	**11,805,251**	**12,627,559**	**354,084**	**409,810**

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

No interest is charged on trade and other receivables.

Amounts owed by ultimate parent, associates and other related parties are unsecured, interest free and repayable on demand.

Note 43.2 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses.

28 Cash and cash equivalents

Cash and cash equivalents include the following component:

	The group 2019 €	The group 2018 €	The company 2019 €	The company 2018 €
Cash and bank balances	18,933,855	3,604,370	10,624,983	1,366,403
Cash and cash equivalents in the statements of financial position	**18,933,855**	**3,604,370**	**10,624,983**	**1,366,403**
Bank overdrafts	(4,554,467)	(3,334,561)	-	-
Cash and cash equivalents in the statements of cash flows	**14,379,388**	**269,809**	**10,624,983**	**1,366,403**

The group and the company did not have any restrictions on its cash at bank as at the end of the reporting period. Any interest earned on cash at bank is based on market rates.

29 Share capital

The share capital of 1923 Investments p.l.c. consists only of ordinary shares with a par value of € 1. All shares are equally eligible to receive dividends and repayment of capital and represent one vote at the shareholders' meeting of the company.

	2019 €	2018 €
Shares issued and fully paid at 31 December		
49,575,000 ordinary shares of € 1 each	**49,575,000**	**49,575,000**
Shares authorised at 31 December		
70,000,000 ordinary shares of € 1 each	**70,000,000**	**70,000,000**

During August 2018, it was agreed to increase the authorised share capital of the company from 36,000,000 ordinary shares of € 1 each to 70,000,000 ordinary shares of € 1 each. It was also agreed to increase the issued share capital of the company from 35,575,000 ordinary shares of € 1 each to 49,575,000 ordinary shares of € 1 each. The issue of the share capital of 14,000,000 ordinary shares of € 1 each was allotted in favour of Hili Ventures Limited, having Company Registration Number C57902, of Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000, Malta, for a cash consideration of the same amount.

30 Other equity

	The group 2019 €	The group 2018 €	The company 2019 €	The company 2018 €
Other equity	**4,741,736**	**4,741,736**	**154,629**	**154,629**

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

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

The difference of € 1,367,314 between consideration for the acquired entities of € 3,551,791 and the amounts at which the assets and liabilities of the acquired entities were recognised of € 2,184,477 are included in equity in terms of predecessor accounting.

On 22 December 2016, Harvest Technology p.l.c. eliminated € 1,754,051 of its accumulated losses through a reduction of its share premium account of the same amount. At consolidated level, this is included in equity. During 2017, the € 1,754,051 reduction in share premium took effect and was eliminated against losses.

During 2017, the interest in Smart Technologies Limited was disposed of by the group and an amount of € 300,000 previously recognized in other equity was eliminated.

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

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

31 Translation reserve

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

32 Debt securities in issue

	The group 2019 €	The group 2018 €	The company 2019 €	The company 2018 €
5.1% unsecured bonds redeemable 2024	35,596,464	35,515,557	35,596,464	35,515,557
	35,596,464	**35,515,557**	**35,596,464**	**35,515,557**

In December 2014, the company issued 360,000 5.1% unsecured bonds of a nominal value of € 100 per bond. The bonds are redeemable at their nominal value on 4 December 2024.

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

The bonds are listed on the Official List of the Malta Stock Exchange. The carrying amount of the bonds is net of direct issue costs of € 403,536 (2018: € 484,443) which are being amortised over the life of the bonds. The market value of debt securities on the last trading day before the statement of financial position date was € 36,540,000 (2018: € 37,440,000).

33 Borrowings

	The group 2019 €	The group 2018 €	The company 2019 €	The company 2018 €
Bank overdrafts	4,554,467	3,334,561	-	-
Bank loans	200,000	300,000	-	-
	4,754,467	**3,634,561**	**-**	**-**
Comprising:				
Non-current liabilities				
Bank loans	100,000	100,000	-	-
	100,000	**100,000**	**-**	**-**
Current liabilities				
Bank overdrafts	4,554,467	3,334,561	-	-
Bank loans	100,000	200,000	-	-
	4,654,467	**3,534,561**	**-**	**-**

During 2018, 1923 Investments p.l.c. advanced a total of € 9,600,000 to subsidiaries within the group to settle all outstanding loans with banking institutions. During 2018, the group entered into a new loan amounting to € 300,000 to finance operations within the Harvest Technology p.l.c. division.

Bank overdrafts and loans are repayable as follows:

	The group 2019 €	The group 2018 €	The company 2019 €	The company 2018 €
On demand or within one year	4,654,467	3,534,561	-	-
In the second year	100,000	100,000	-	-
	4,754,467	**3,634,561**	**-**	**-**

The group's overdraft facilities in Malta bear effective interest at a floating rate of 5.14% (2018: 5.39%) per annum. These are secured by first and second general and special hypothecary guarantees over the assets of PTL Limited, Ipsyon Limited and Carmelo Caruana Company Limited.

The group's overdraft facility in Poland bears variable interest rate of 3.13% (2018: 2.64%) per annum. It is secured on the perpetual usufruct of land and buildings in Bolszewo for a total of PLN 2,680,000, equivalent to € 629,580 (2018: PLN 2,680,000, equivalent to € 623,053) as disclosed in note 42.

The bank loan bears interest of 3.5% (2018: 3.5%) per annum, is repayable by quarterly instalments of € 25,000 and payable in full by 31 December 2021. It is secured by a first general hypothec over all present and future assets of Ipsyon Limited and by an assignment of royalties for a minimum amount of € 380,000.

34 Trade and other payables

	The group 2019 €	The group 2018 €	The company 2019 €	The company 2018 €
Trade payables	15,343,844	18,056,704	85,512	136,804
Amounts payable to related parties	57,663	54,158	-	208,304
Other payables	400,082	1,439,337	203,230	181,891
Accrued expenses	2,599,536	2,202,913	515,252	190,202
Financial liabilities	**18,401,125**	**21,753,112**	**803,994**	**717,201**
Other creditors	3,864,071	3,446,515	-	-
Deferred income	2,201,955	2,283,840	-	-
Trade and other payables	**24,467,151**	**27,483,467**	**803,994**	**717,201**
Comprising:				
Non-current payables				
Trade and other payables	543,826	831,208	-	-
Current payables				
Trade and other payables	23,923,325	26,652,259	803,994	717,201

The carrying values of financial liabilities are considered to be a reasonable approximation of fair value.

No interest is charged on trade and other payables.

35 Contract liabilities

	The group 2019 €	The group 2018 €
Deferred service income on rendering of services and development	658,607	85,161
Deferred service income on maintenance, support and servicing	1,507,194	1,369,088
Deferred service income on other gateway income and access fees	109,999	114,070
Deferred service income on licences	26,821	23,462
	2,302,621	**1,591,781**

Deferred service income represent customer payments received or due in advance of performance (contract liabilities) that are expected to be recognised as revenue in 2020. As described in note 5.11, maintenance, servicing and support contracts are entered into for periods between one and three years. On the other hand, consultancy and development of IT systems are usually completed within 12 months. Nevertheless, the company may occasionally have projects for consultancy and development of IT systems that span over more than 12 months. Contracts for the latter revenue source are however expected to be completed within 2020.

The group also enters into transactions with parties for the access to a payment gateway. The group's revenue is mainly derived from the actual volume of traffic on the payment gateway and on other fixed charges. Such services are rendered and recognised in the same month when the income arises.

Deferred service income on licences is expected to be recognised as revenue in 2020.

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

With the exception of an amount of € 338,430 in deferred service income on maintenance and support still not yet recognised as revenue at 31 December 2019 and included with the balance at 31 December 2018, the remaining deferred service income at the end of the previous reporting period was recognised as revenue during the current year. The corresponding amount of deferred service income on maintenance and support still not yet recognised as revenue at 31 December 2018 and included with the balance at 31 December 2017 amounted to € 445,234.

36 Other financial liabilities

	The group 2019 €	The group 2018 €	The company 2019 €	The company 2018 €
Amounts owed to ultimate parent	6,120,075	6,146,577	3,800,000	3,800,000
Amounts owed to joint venture	-	159,389	155,717	155,717
Amounts owed to other related parties	273,806	343,765	-	-
Amounts owed to subsidiaries	-	-	17,722,813	16,312,583
Amounts owed to a third party	6,000,000	6,000,000	-	-
	12,393,881	**12,649,731**	**21,678,530**	**20,268,300**
Comprising:				
Non-current liabilities				
Other financial liabilities	3,078,375	12,299,722	17,722,813	19,176,666
Current liabilities				
Other financial liabilities	9,315,506	350,009	3,955,717	1,091,634

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

37 Deferred tax assets and liabilities

Deferred tax arising from temporary differences are summarised as follows:

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

Deferred taxes for the comparative period 2018 can be summarised as follows:

The group	1 Jan 2018	Recognised in profit or loss	31 Dec 2018
	€	€	€
Deferred tax assets arising on:			
Plant and equipment	332,722	(43,490)	289,232
Unabsorbed capital allowances	22,686	42,882	65,568
Unabsorbed tax losses	-	308,457	308,457
Provisions	389,658	186,937	576,595
Other temporary differences	355,844	(49,822)	306,022
Total	**1,100,910**	**444,964**	**1,545,874**
Deferred tax liabilities arising on:			
Intangible assets	(291,452)	18,380	(273,072)
Plant and equipment	(558,230)	187,633	(370,597)
Other temporary differences	(159,385)	(392,750)	(552,135)
Total	**(1,009,067)**	**(186,737)**	**(1,195,804)**

The company

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

See note 14 for information on the group's and company's tax expense.

38 Cash flow adjustments and changes in working capital

The following non-cash flow adjustments and adjustments for changes in working capital have been made to profit (loss) before tax to arrive at operating cash flow:

	The group 2019 €	The group 2018 €	The company 2019 €	The company 2018 €
Adjustments:				
Depreciation and amortisation	2,243,195	2,462,663	1,846	1,000
Depreciation on right-of-use assets	3,241,412	-	-	-
Exchange differences	(158,809)	166,031	(93,712)	-
Bad debts written off	391,975	34,414	-	-
Goodwill written off	3,789,388	-	-	-
Bond amortisation costs	80,907	80,907	80,907	80,907
Movement in provision for doubtful debts	(390,371)	233,505	-	-
Other interest income	(427)	(17,718)	-	-
Related party interest income	(294,928)	(184,614)	-	-
Share of profit of associated undertakings	(246,028)	(121,593)	-	-
Gain on disposal of investment	(5,881,742)	-	(5,881,742)	-
Loss on sale of a subsidiary	58,363	-	-	-
Loss on disposal of intangibles and PPE	79,265	29,299	-	-
Share of profits in joint ventures	(107,557)	(69,714)	-	-
Impairment of investment in subsidiaries	-	-	4,730,637	-
Value of services provided by an officer of the group	-	38,441	-	-
Inventories written off and movement in provisions	119,897	51,698	-	-
Interest on leasing arrangements	430,170	-	-	-
Interest payable	2,419,164	2,659,258	2,646,934	2,401,590
Dividends receivable	-	-	(1,456,345)	(4,200,401)
Interest income	-	-	(732,049)	(782,805)
	5,773,874	**5,362,577**	**(703,524)**	**(2,499,709)**
Working capital:				
Change in inventories	4,253,562	(3,483,329)	-	-
Change in trade and other receivables	1,113,199	(1,338,922)	105,096	(162,699)
Change in trade and other payables	(3,460,510)	1,906,722	90,377	80,461
Change in contract assets	630,508	-	-	-
Changes in contract liabilities	771,637	-	-	-
	3,308,396	**(2,915,529)**	**195,473**	**(82,238)**

39 Reconciliation of liabilities arising from financing activities

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

	Notes	Balance at 31 December 2018 €	Cash flows €	Other non-cash changes €	Balance at 31 December 2019 €
Leases	20	-	(3,466,334)	13,966,079	10,499,745
Bank loans	33	300,000	(100,000)	-	200,000
Amounts owed to a third party	36	6,000,000	-	-	6,000,000
		6,300,000	**(3,566,334)**	**13,966,079**	**16,699,745**

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

	Notes	Balance at 31 December 2017	Cash flows	Other non-cash changes	Balance at 31 December 2018
		€	€	€	€
Bank loans	33	10,642,763	(10,342,763)	-	300,000
Amounts owed to a third party	36	6,000,000	-	-	6,000,000
		16,642,763	**(10,342,763)**	**-**	**6,300,000**

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

40 Related party transactions

1923 Investments p.l.c. is the parent company of the subsidiary undertakings highlighted in note 21. The parent company of 1923 Investments p.l.c. is Hili Ventures Limited which is incorporated in Malta. The registered office of Hili Ventures Limited, being the undertaking which draws up the consolidated financial statements of the smallest body of undertakings of which 1923 Investments p.l.c. forms part as a subsidiary undertaking, is Nineteen Twenty-Three, Valletta Road, Marsa, MRS 3000, Malta, from where the above consolidated financial statements may be obtained.

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

	2019			2018		
The group	**Related party activity**	**Total activity**		**Related party activity**	**Total activity**	
	€	€	%	€	€	%
Revenue:						
Related party transactions with:						
Ultimate parent company	56,071			120,682		
Other related parties	1,869,834			625,048		
	1,925,905	134,897,806	1	745,730	122,022,751	1
Cost of sales:						
Related party transactions with:						
Ultimate parent company	21,157			55,848		
Other related parties	1,049,766			51,468		
	1,070,923	117,151,616	1	107,316	108,483,977	-
Administrative expenses:						
Related party transactions with:						
Ultimate parent company	674,913			870,283		
Other related parties	1,877,815			438,530		
	2,552,728	15,126,858	17	1,308,813	12,338,226	11

The group	**2019** Related party activity €	Total activity €	%	**2018** Related party activity €	Total activity €	%
Investment income:						
Related party transactions with:						
Parent company	294,925			151,587		
Other related parties	-			33,027		
	294,925	295,355	99	184,614	202,332	91
Finance cost:						
Related party transactions with:						
Parent company	109,722			89,759		
Other related party	84,627					
	194,349	2,930,241	7	89,759	2,740,165	3
The company						
Revenue:						
Related party transactions with:						
Other related parties	1,035,833			1,080,000		
	1,035,833	1,035,833	100	1,080,000	1,080,000	100
Investment income:						
Related party transactions with:						
Subsidiaries	732,049			764,598		
Other related parties	-			489		
Subsidiaries (dividends)	1,456,345			4,200,401		
	2,188,394	2,188,394	100	4,965,488	4,983,206	99
Administrative expenses:						
Related party transactions with:						
Ultimate parent company	660,000			832,570		
Other related parties	-			152,961		
	660,000	2,269,192	29	985,531	1,285,965	77
Finance cost:						
Related party transactions with:						
Ultimate parent company	6,780			-		
Other related parties	780,878			443,475		
	787,658	2,727,841	29	443,475	2,482,497	18

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

No expense has been recognised in the period for impairments in respect of amounts due by related parties and there are no provisions for impairment in respect of outstanding amounts due by related parties.

The share of profit/loss on associate and joint ventures is disclosed in note 22. Key management personnel compensation is disclosed in note 12. Dividend income is disclosed in note 9.

The amounts due to/from other related parties at period-end are disclosed in notes 24, 27, 34 and 36. The terms and conditions in respect of the related party balances do not specify the nature of the consideration to be provided in settlement. No guarantees have been given or received.

The amounts owed to the group by other related parties as disclosed in note 24 are unsecured, bear interest at 4.5% (2018: 4.5%) per annum. The amounts due in note 27 are unsecured, interest free and repayable on demand.

The group's other financial liabilities disclosed in note 36 are unsecured, and € 2,343,660 (2018: € 2,343,660) bear interest at 4.5% (2018: 4.5%) per annum 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. Amounts disclosed for the company in year at 31 December 2019 and 2018, were unsecured, bear interest at 4.5% per annum and are repayable by 31 December 2020.

Contingent liabilities and guarantees are disclosed in note 42.

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.

41 Operating leases

	The group 2019 €	The group 2018 €
Minimum lease payments recognised as an expense for the year	-	3,738,681
	-	**3,738,681**

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.

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

	The group 2019 €	The group 2018 €
Within one year	-	3,301,958
Between two and five years	-	8,525,591
More than five years	-	2,615,746
	-	**14,443,295**

42 Contingent liabilities

At the end of the reporting period, one of the group's subsidiaries under the Harvest Technology division had issued guarantees amounting to € 600,000 (2018: € 600,000) in relation to bank facilities granted to related undertakings. The same subsidiary also had guarantees amounting to € 225,300 (2018: € 504,700) granted to third parties as collateral for liabilities.

One of the group's subsidiaries under the Apple retail business division in Poland signed an agreement with HSBC on line guarantees and letters of credit in the amount of € 23,844,202 (2018: € 18,307,993).

At the end of the reporting period, one of the group's subsidiaries under the Hili Logistics division, together with other related parties provided guarantees in the amount of € 7,590,496 (2018: € 7,590,496) in relation to bank facilities granted to related undertakings. In the directors' opinion no provision is required against such amounts as the principal borrowers are either not expected to default or such facilities are secured by property, plant and equipment or other guarantors.

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 € 112,549.

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 2019 and 2018.

At 31 December 2019, the group had an overdraft facility through Allcom, one of its subsidiaries in Poland, as disclosed in note 33 which was secured on the perpetual usufruct of land and buildings in Bolszewo for a total of PLN 2,680,000, equivalent to € 629,580 (2018: PLN 2,680,000, equivalent to € 623,053).

Allcom has also provided a guarantee for a total of PLN 6,000,000, equivalent to € 1,409,509 (2018: PLN 6,000,000, equivalent to € 1,394,895) to the customs office in Poland, through a financial institution in the same country, to secure customs payments realised on behalf of its clients. There was no utilisation of the guarantee as at the end of the reporting periods.

Allcom is the defendant in a claim against it by a third party for an amount of PLN 125,636 (€ 29,514). Due to the early stage of the court proceedings as at the date of these financial statements, the outcome of the dispute is still uncertain and therefore, no provision has been made.

At 31 December 2018, the company had a guarantee issued in favour of a subsidiary undertaking amounting to € 1,857,000 for the performance of contracts by the subsidiary undertaking to third party customers. This guarantee was cancelled during 2019.

43 Financial instrument risk

Risk management objectives and policies

The group is exposed to various risks in relation to financial instruments. The group's financial assets and financial liabilities by category are summarised in note 43.4. The main types of risks are market risk, credit risk and liquidity risk.

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

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

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

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

43.1 Market risk analysis

Foreign currency risk

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

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

Interest rate risk

The group and the company have debt securities in issue with a fixed coupon as disclosed in note 32, loans and receivables with a fixed coupon as disclosed in note 24, and cash at bank with a floating coupon as disclosed in note 28. The group has taken out interest bearing loans as disclosed in notes 33 and 36. The interest rates thereon and the terms of such borrowings and loans are disclosed accordingly.

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

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

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

43.2 Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the group. The group is exposed to credit risk from financial assets including cash and cash equivalents held at banks, trade and other receivables and loans and receivables. The group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

	Notes	The group 2019 €	The group 2018 €	The company 2019 €	The company 2018 €
Classes of financial assets - carrying amounts:					
Financial assets measured at amortised cost:					
Loans and receivables	24	10,734,669	9,562,756	39,530,169	38,501,419
Trade and other receivables	27	10,546,761	11,199,368	163,569	186,507
Cash and cash equivalents	28	18,933,855	3,604,370	10,624,983	1,366,403
		40,215,285	**24,366,494**	**50,318,721**	**40,054,329**

Credit risk management

The credit risk is managed both at the level of each individual subsidiary as well as on a group basis, based on the group's credit risk management policies and procedures.

Loans and receivables and certain trade receivables comprise amounts due from related parties. The group and company's concentration to credit risk arising from these receivables are considered limited as there were no indications that these counterparties are unable to meet their obligations. Management considers these to be of good credit quality. Management does not consider loans and receivables to have deteriorated in credit quality and the effect of management's estimate of the 12-month credit loss has been determined to be insignificant to the results of the group and the company.

The group and the company hold money exclusively with institutions having high quality external credit ratings. The cash and cash equivalents held with such banks at 31 December 2019 and 2018 are callable on demand. The banks with whom cash and cash equivalents are held form part of an international group with an A credit rating by Standard and Poor's and similar high ratings by other agencies. The group also holds cash with a local bank having a credit rating of BBB- by Standard and Poor's. Cash held by the group with other local banks for which no credit rating is available are not significant. Management considers the probability of default from such banks to be close to zero and the amount calculated using the 12-month expected credit loss model to be very insignificant. Therefore, based on the above, no loss allowance has been recognised by the group and the company.

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

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

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

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

Trade receivables consist of a large number of customers in various industries and mainly in two geographical areas, namely in Malta and Poland.

The Expected Credit Loss (ECL) at 31 December 2019 was estimated based on a range of forecast economic scenarios as at that date.

The coronavirus pandemic which started spreading in early 2020 is causing significant disruption to business and economic activity and will have an immediate impact on the economic scenarios used for estimating ECL. This is because key inputs for this estimation, such as GDP, are weakening and the probability of a particular adverse economic scenario for the short term is higher.

The potential economic impact of the coronavirus was not considered in arriving at ECL at 31 December 2019. The impact of these factors, together with regulatory measures and initiatives taken by various governments to assist their respective economies, especially in those countries where the group has business interests, will be considered when estimating ECL under IFRS 9 in 2020.

Security

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the group's and the company's maximum exposure to credit risk, without taking account of the value of the collateral obtained. Guarantees are disclosed in note 42.

In addition, the group does not hold collateral relating to other financial assets (eg derivative assets, cash and cash equivalents held with banks).

Trade receivables

The group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers.

The expected loss rates are based on the payment profile for sales over the past 36 months before 31 December 2019 and 2018 respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. The group has identified gross domestic product (GDP) and unemployment rates of the countries in which the customers are domiciled to be the most relevant factors and accordingly adjusts historical loss rates for expected changes in these factors.

However given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

Trade receivables are written off (ie derecognised) when there is no reasonable expectation of recovery. Failure to make payments within 365 days from the invoice date and failure to engage with the group on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery.

On the above basis the expected credit loss for trade receivables as at 31 December 2019 and 31 December 2018 was determined as follows:

31 December 2019	**Current**	**More than 30 days**	**More than 60 days**	**More than 90 days**	**Total**
Expected credit loss rate (%)	0.6%	2.7%	8.8%	28.4%	-
Gross carrying amount (€)	4,638,101	2,224,781	490,467	1,273,122	8,626,471
Lifetime expected credit loss	26,719	59,421	43,370	362,250	491,760
31 December 2018					
Expected credit loss rate (%)	0.5 %	2.3 %	5.9 %	38.4 %	-
Gross carrying amount (€)	4,671,276	1,423,772	413,899	2,091,987	8,600,934
Lifetime expected credit loss	21,025	32,556	24,393	804,157	882,131

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

The closing balance of the of the trade receivables loss allowance as at 31 December 2019 and 2018 reconciles with the trade receivables loss allowance opening balance as follows:

	The group 2019 €	**The group 2018 €**
Opening loss allowance as at 1 January	882,131	648,626
Loss allowance recognised during the year	56,868	233,505
Reversal of loss allowance on impaired receivables written off	(391,975)	-
Reversal of allowance for credit losses no longer required	(55,264)	-
Loss allowance as at 31 December	**491,760**	**882,131**

43.3 Liquidity risk

The group and company's exposure to liquidity risk arises from its obligations to meet its financial liabilities, which comprise debt securities in issue, borrowings, trade and other payables and other financial liabilities (see notes 32, 33, 34 and 36). Prudent liquidity risk management includes maintaining sufficient cash to ensure the availability of an adequate amount of funding to meet the group's and company's obligations when they become due.

Liquidity risk is that the group and the company might be unable to meet its obligations. The group and the company manage their liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. The data used for analysing these cash flows is consistent with that used in the contractual maturity analysis below. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows that available borrowing facilities are expected to be sufficient over the lookout period.

The group's and company's objective is to maintain cash to meet their liquidity requirements for 30-day periods at a minimum. This objective was met for the reporting period. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

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

The group

31 December 2019	**On demand or within 1 year**	**1 - 2 years**	**2 - 5 years**	**More than 5 years**	**Total**
Non-derivative financial liabilities					
Non-interest bearing	24,829,145	3,622,201	-	-	28,451,346
Fixed rate instruments	4,388,625	1,939,500	41,508,000	-	47,836,125
Variable-rate instruments	4,788,567	-	-	-	4,788,567
	34,006,337	**5,561,701**	**41,508,000**	**-**	**81,076,038**
31 December 2018					
Non-derivative financial liabilities					
Non-interest bearing	26,652,259	6,831,208	-	-	33,483,467
Fixed rate instruments	2,386,009	8,235,722	5,508,000	37,836,000	53,965,731
Variable-rate instruments	3,334,561	-	-	-	3,334,561
	32,372,829	**15,066,930**	**5,508,000**	**37,836,000**	**90,783,759**

The company

31 December 2019	**On demand or within 1 year**	**1 - 2 years**	**2 - 5 years**	**More than 5 years**	**Total**
Non-derivative financial liabilities					
Non-interest bearing	803,994	-	-	-	803,994
Fixed rate instruments	6,767,251	2,633,527	43,900,580	18,520,340	71,821,698
	7,571,245	2,633,527	43,900,580	18,520,340	**72,625,692**
31 December 2018					
Non-derivative financial liabilities					
Non-interest bearing	717,201	-	-	-	717,201
Fixed rate instruments	2,976,758	2,698,950	8,096,850	59,711,616	73,484,174
	3,693,959	**2,698,950**	8,096,850	59,711,616	**74,201,375**

43.4 Summary of financial assets and financial liabilities by category

The carrying amounts of the group's financial assets and financial liabilities as recognised at the end of the reporting period may also be categorised as follows. See note 5.23 for explanations about how the category of financial instruments affects their subsequent measurement.

	The group 2019 €	The group 2018 €	The company 2019 €	The company 2018 €
Non-current assets				
Loans and receivables	**2,383,816**	**8,523,204**	**34,841,025**	**34,901,419**
Current assets				
Loans and receivables	8,350,853	1,039,552	4,689,144	3,600,000
Trade and other receivables	10,546,761	11,199,368	163,569	186,507
Cash and cash equivalents	18,933,855	3,604,370	10,624,983	1,366,403
	37,831,469	**15,843,290**	**15,477,696**	**5,152,910**
Non-current liabilities				
Debt securities in issue	35,596,464	35,515,557	35,596,464	35,515,557
Borrowings	100,000	100,000	-	-
Trade and other payables	543,826	831,208	-	-
Other financial liabilities	3,078,375	12,299,722	17,722,813	19,176,666
	39,318,665	**48,746,487**	**53,319,277**	**54,692,223**
Current liabilities				
Borrowings	4,654,467	3,534,561	-	-
Trade and other payables	17,857,299	20,921,904	803,994	717,201
Other financial liabilities	9,315,506	350,009	3,955,717	1,091,634
	31,827,272	**24,806,474**	**4,759,711**	**1,808,835**

43.5 Financial instruments measured at fair value

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability.

At 31 December 2019 and 2018, except for debt securities in issue as disclosed in note 32, 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 32. The fair values of other non-current financial liabilities and the non-current loans and receivables are not materially different from their carrying amounts due to the fact that the interest rates are considered to represent market rates at the year-end or because they are repayable on demand. The fair values of the financial assets and financial liabilities included in the level 2 category above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

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

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

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

The group

31 December 2019	Level 1	Level 2	Level 3	Total	Carrying amount
	€	€	€	€	€
Financial assets					
Loans and receivables					
Receivables from related parties	-	10,734,669	-	10,734,669	10,734,669
	-	**10,734,669**	**-**	**10,734,669**	**10,734,669**
Financial liabilities at amortised cost					
Related party loans	-	12,393,881	-	12,393,881	12,393,881
Bank overdrafts and loans	-	4,754,467	-	4,754,467	4,754,467
Debt securities in issue	36,540,000	-	-	36,540,000	35,596,464
	36,540,000	**17,148,348**	**-**	**53,688,348**	**52,744,812**
31 December 2018					
Financial assets					
Loans and receivables					
Receivables from related parties	-	9,562,756	-	9,562,756	9,562,756
	-	**9,562,756**	**-**	**9,562,756**	**9,562,756**
Financial liabilities at amortised cost					
Related party loans	-	12,649,731	-	12,649,731	12,649,731
Bank overdrafts and loans	-	3,634,561	-	3,634,561	3,634,561
Debt securities in issue	37,440,000	-	-	37,440,000	35,515,557
	37,440,000	**16,284,292**	**-**	**53,724,292**	**51,799,849**

The company

31 December 2019	Level 1 €	Level 2 €	Level 3 €	Total €	Carrying amount €
Financial assets					
Loans and receivables					
Receivables from related parties	-	39,530,169	-	39,530,169	39,530,169
	-	**39,530,169**	**-**	**39,530,169**	**39,530,169**
Financial liabilities at amortised cost					
Related party loans	-	21,678,530	-	21,678,530	21,678,530
Debt securities in issue	36,540,000	-	-	36,540,000	35,596,464
	36,540,000	**21,678,530**	**-**	**58,218,530**	**57,274,994**
31 December 2018					
Financial assets					
Loans and receivables					
Receivables from related parties	-	38,501,419	-	38,501,419	38,501,419
	-	**38,501,419**	**-**	**38,501,419**	**38,501,419**
Financial liabilities at amortised cost					
Related party loans	-	20,268,300	-	20,268,300	20,268,300
Debt securities in issue	37,440,000	-	-	37,440,000	35,515,557
	37,440,000	**20,268,300**	**-**	**57,708,300**	**55,783,857**

44 Capital risk management

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

The capital structure of the group and the company consists of debt, which includes the debt securities in issue, borrowings and other financial liabilities disclosed in notes 32, 33 and 36, cash and cash equivalents as disclosed in note 28 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.

45 Post reporting date events

During 2020, the company has signed a Sale and Purchase Agreement for the purchase of a carve out transaction relating to Ship to Ship business from Teekay Tankers Limited. This acquisition is expected to be concluded shortly.

Effects of the COVID-19 pandemic

Following the outbreak of the COVID-19 pandemic which started in the first months of 2020, the directors are monitoring the situation and planning for immediate action to safeguard the interests of the group and its stakeholders. To date, the company's operations as a holding company have not been affected. The company also receives ongoing updates from the management of the underlying subsidiaries to assess the impact of the COVID-19 pandemic on its investments. It is likely that these events will adversely affect the subsidiaries' current and future performance. The subsidiaries are following the guidance of the national

authorities in the countries in which they operate, which has led to the temporary closure of its retail outlets in Poland and Hungary.

The directors are of the opinion that it is premature to comment on the consequences of the events that are still unfolding and that they cannot make an estimate of the financial effect that these events will have on the group and company. It is likely that these events will adversely affect the company and group's current and future performance and future financial position. The group also expects that certain sectors of its technology business, such as e-commerce, coupled with business continuity initiatives, are likely to impacted less in the immediate term and therefore are expected to continue generating income. Nevertheless, certain aspects of the technology business may suffer if the current situation is prolonged.

The directors consider the going concern assumption in the preparation of these financial statements as appropriate as at the date of authorisation and believes that no material uncertainty that may cast significant doubt about the company's and the group's ability to continue as a going concern exists as at that date.

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

Independent auditor's report

To the shareholders of 1923 Investments p.l.c.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of 1923 Investments p.l.c. (the "Company") and of the Group of which it is the parent, set out on pages 14 to 85, which comprise the statements of financial position as at 31 December 2019, 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 2019, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Companies Act, Cap. 386 (the "Act").

Our opinion is consistent with our additional report to the audit committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. In conducting our audit we have remained independent of the Company and the Group and have not provided any of the non-audit services prohibited by article 18A of the Accountancy Profession Act, Cap. 281 The non-audit services that we have provided to the Company and the Group during the year ended 31 December 2019 are disclosed in note 11 to the financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Key audit matter

Goodwill with a carrying amount of € 51.0 million and intangible assets having a carrying amount of € 12.2 million as at 31 December 2019 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 2019 which are recognised at balance sheet date. Moreover, the directors' assessment process is complex and highly judgmental and is based on assumptions which are affected by expected future market or economic conditions.

How the key audit matter was addressed in our audit

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

We communicated with management and those charged with governance and noted that they were able to provide satisfactory responses to our questions. We also assessed the adequacy of the disclosures made in notes 5.29 of the financial statements relating to goodwill including those regarding the key assumptions used in assessing its carrying amount. Those disclosures specifically explain that the directors have assessed the carrying amount of goodwill and intangible assets with an indefinite useful life as at 31 December 2019 and concluded that an impairment charge of € 3.8 million in the value of the goodwill was required. The directors concluded that the carrying amount of intangible assets with an indefinite useful life is recoverable and consequently no impairment charge is required.

The directors' forecasts and assumptions on which the directors' assessment of the carrying amount of goodwill and of intangible assets with an indefinite useful life was based do not include the effects of COVID-19 which, as explained in note 45, are deemed to be events after the reporting date.

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

Key audit matter

During the year ended 31 December 2019 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 2019 should continue to be recognised, or if any impairment is required.

We focussed on this area because of the significance of the investments in subsidiaries which at 31 December 2019, amounted € 55.3 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 5.29 of the financial statements relating to investments including those regarding the key assumptions used in assessing its carrying amount. Those disclosures specifically explain that the directors have assessed the carrying amount of investments as at 31 December 2019 and concluded that an impairment charge of € 4.7 million in the company's investments in subsidiaries was required.

The directors' forecasts and assumptions on which the directors' assessment of the carrying amount of the company's investments in subsidiaries was based do not include the effects of COVID-19 which, as explained in note 45, are deemed to be events after the reporting date.

Other information

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

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

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

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

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

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

Responsibilities of the directors those charged with governance for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Company or the Group to cease to continue as a going concern. In particular, it is difficult to determine the potential effects of the COVID-19 pandemic and the direct and indirect impact that this will have on the Company's and the Group's business.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate evidence regarding the financial information of the entities or business activities within the Group to express and opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

Report on Corporate governance statement

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

The Listing Rules also require us, as the auditor of the Company, to include a report on the Statement of Compliance prepared by the directors.

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

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

In our opinion, the Corporate governance statement set out on pages 10 to 12 has been properly prepared in accordance with the requirements of the Listing Rules.

Other matters on which we are required to report by exception

We also have responsibilities

- under the Companies Act, Cap 386 to report to you if, in our opinion:
  - adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us
  - the financial statements are not in agreement with the accounting records and returns
  - we have not received all the information and explanations we require for our audit
  - certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

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

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

Auditor tenure

We were first appointed as auditors of the Company and the Group on 14 November 2017. Our appointment has been renewed annually by a shareholders' resolution representing a total period of uninterrupted engagement appointment of three years.

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

Mark Bugeja (Partner) for and on behalf of
GRANT THORNTON

Fort Business Centre
Triq Il-Intornjatur, Zone 1
Central Business District
Birkirkara CBD 1050
Malta

30 April 2020