Hili Ventures Limited

C57902

Report and Financial Statements

31 December 2020

Contents

Hili Ventures Limited

Directors, officer and other information

Directors:	Steve Tarr (Chairman) Carmelo sive Melo Hili Victor Tedesco Jesmond Mizzi Annabel Hili Richard Abdilla Castillo (resigned on 10th July 2020)
Secretary:	Dr. Melanie Miceli Demajo
Registered office:	Nineteen Twenty-Three Valletta Road Marsa Malta
Company registration number:	C 57902
Auditor:	Grant Thornton Malta Fort Business Centre Triq l-Intornjatur, Zone 1 Central Business District Birkirkara, CBD 1050 Malta
Principal bankers:	HSBC Bank Malta plc. HSBC Head Office Mill Street Qormi Malta
	BRD – Groupe Societe Generale S.A. 1-lon Mihalache Boulevard Sector 1, Bucharest Romania
	Swedbank AB Balasta dambis 1A LV-1048, Riga Latvia

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

Luminor Bank AS
Skanstes iela 12
Vidzemes priekšpilsēta
Rīga, LV-1013
Latvia

MeDirect Bank (Malta) plc.
The Centre, Tigne point
Sliema
Malta

Banca Comerciala Romana
Calea Victoriei nr. 25, Sector 3
030023, Bucharest
Romania

Legal advisors:

GVZH Advocates
192, Old Bakery Street
Valletta
Malta

Camilleri Preziosi Advocates
Level 3, Valletta buildings
Valletta
VLT 1103
Malta

The directors present their report and the audited financial statements of the group and the holding company for the year ended 31 December 2020.

Principal activities

Hili Ventures Limited principally acts as the investment holding company of an international, diversified group to which it provides management and consultancy services.

The group has seven direct subsidiaries: Premier Capital plc, 1923 Investments plc, Hili Properties plc, Hili Finance Company plc, Motherwell Bridge Industries Limited, Cobalt Leasing Ltd and HV Hospitality Limited.

Premier Capital plc is engaged through its subsidiaries in the operations of McDonald’s restaurants in Estonia, Greece, Latvia, Lithuania, Malta and Romania.

1923 Investments plc draws together all Hili Ventures Limited’s diversified activities. Its core activities are logistics, retail and technology solutions. 1923 Investments plc’s activities operate in Malta, Hungary and Poland. In April 2020, 1923 Investment plc set up entities in Jersey and UK to acquire a business providing ship-to-ship transfer services and LNG terminal management respectively.

Hili Properties plc owns and administers commercial real estate and industrial land in Malta, Latvia, Lithuania, Estonia and Romania.

Hili Finance Company plc acts as the funding vehicle of Hili Ventures Limited and currently has two bond issues for a total value of *Eur120,000,000* listed on the Malta Stock Exchange.

Motherwell Bridge Industries Limited is mainly engaged in providing specialised engineering services related to port handling equipment and crane assembly in Malta and Morocco.

HV Hospitality Limited is the holding company of Kemmuna Ltd, a company acquired in 2019 which operated the hotel and bungalows on the island of Comino. The redevelopment of the hotel and bungalows is at the design stage and awaiting a building permit. The acquisition of the Comino properties is part of a strategy to establish a presence in the European hospitality market.

Cobalt Leasing Ltd is a subsidiary registered in the United Kingdom and operates container leasing.

Financial performance

The results for the group represent the results of the company together with those of its subsidiaries and its shares of jointly controlled entities and associates for the year ended 31 December 2020.

The group reported turnover from continuing operations of *Eur483,237,106 (*2019 – *Eur490,567,309*) which represents a decrease of 1.5% over the prior year. This decline was mainly the result of the disruptions to the group's retail operations caused by the Covid-19 pandemic.

The operating profit for the group amounted to *Eur37,157,306* (2019 – *Eur37,413,370*). After accounting for net investment income and finance costs, the group registered a pre-tax profit of *Eur19,075,167* from continuing operations as compared to *Eur26,476,616* in 2019.

During the year under review the company registered an operating loss of *Eur1,590,935* (2019 - *Eur3,582,300*). After accounting for net investment income and finance costs the company registered a pre-tax profit of *Eur1,217,899* from continuing operations as compared to *Eur11,021,195 in 2019*.

The group and the company statements of financial position at the year-end report net assets amounting to *Eur106,811,070* and *Eur75,396,349* respectively (2019 – *Eur110,127,623* and *Eur78,837,107*).

The group measures the achievement of its objectives using the following key performance indicators:

The measure used by the group to assess liquidity is the current ratio, which is defined as the total current assets for the year divided by the current liabilities. At the end of the year the group reported a net liability position. The current ratio in 2020 was 0.99 and in 2019 it was 1.20.

Throughout the year under review, the group utilized internal cash reserves to finance a substantial part of the acquisition of the STS business the full acquisition of the minority holding within Premier Capital plc. The group has significant cash holdings at year end to enable it to meet its obligations as they fall due. This will enable the group to revert to a net current asset position shortly after year end.

The group utilises the net gearing ratio as an indicator of the group's financial leverage. The gearing ratio refers to the company's long-term debt to its equity or capital employed. The net gearing ratio of the group stood at 74%, which is in line with the prior year.

The group measures its performance based on earnings before interest, tax, depreciation and amortisation (hereinafter referred to as 'EBITDA').

Financial performance (continued)

The EBITDA generated during the year from continuing operations for the group amounts to *Eur67,571,670* (2019 – *Eur64,977,364*) of which *76%* is being generated by Premier Capital plc (2019 - 87%).

During the year under review the interest cover of the group was at the level of 3.47 times (2019 - 3.89 times). The interest cover represents the EBITDA divided by net interest costs.

Non-financial performance

The key non-financial performance indicators vary from customer satisfaction in the information technology, logistics, engineering and restaurant divisions to property occupancy ratios in the property companies.

The most relevant measures used by the different divisions are as follows:

During the year under review, Premier Capital pls group continued to grow its portfolio and closed the year with 159 operating restaurants (2019 – 156). Of these restaurants, 87 are operated in Romania, 39 in the Baltic States, 24 in Greece and 9 in Malta.

At Premier Capital plc group, customer satisfaction is monitored throughout the year via a customer feedback portal that the group operates in all the markets, whereby results are available online and reviewed regularly by management for each market.

The conversion rate is a measure used by 1923 Investments plc to measure the percentage of actual purchases compared to customers entering a store, especially within the iSpot business in Poland. Footfall traffic within the stores decreased by 37.1% in 2020 versus 2019 due to extended periods when the outlets were closed. However this was largely compensated by (i) increased e-commerce sales, and (ii) significantly higher conversion rate and basket spend. The conversion rate, which measures the percentage of actual purchases compared to customers entering the store, amounted to 12.3% in 2020 versus 9.6% in 2019.

Within the Hili Properties plc group property occupancy stood at 95% as of 31 December 2020 (2019: 94%). This key ratio represents the relationship of leased investment properties in square metres to the total owned investment properties in square metres. The WALT (Weighted Average Lease Term) for the whole portfolio stands at 9.3 years as at 31 December 2020 (2019: 7.8yrs).

The total number of employees across the group increased slightly from 9,537 in 2019 to 9,556 in the current year. The group runs a number of employee surveys across each division to ensure employee satisfaction and commitment. Having high quality teams in place is essential to attain the holding company’s business objectives.

Market performance

Romania is the highest contributor of the revenue to the group, with 37% overall contribution to sales for 2020 (2019- 40%). The group's operations in this market mainly comprise, 87 McDonald's restaurants (2019 - 84) operated by Premier Capital plc and a substantial commercial property portfolio managed by Hili Properties plc.

The group's operations in Poland contribute 24% of total revenues (2019 -24%). Via 1923 Investments plc the group operates 25 Apple retail stores and a freight forwarding company in this market

The Baltics, Maltese and Greek markets contribute 17%, 10% and 8% respectively of total revenues of the group (2019: Baltics – 17%, Malta – 11% and Greece 8%).

Principal risks and uncertainties

The successful management of risk is essential to enable the group to achieve its objectives. During 2020, Hili Ventures Limited updated its group-wide Enterprise Risk Management assessment in order to align its risk mitigation measure to the ever-changing environment. All divisions and subsidiaries maintain risk registers which are reviewed and updated on a periodic basis by the respective boards. The ultimate responsibility for risk management rests with the directors of the various boards, who evaluate each subsidiary's risks and formulate policies for identifying and managing such risks. The principal risks and uncertainties are listed below:

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

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

The group targets to grow organically and via acquisitions. Acquisitions into existing lines of business or investment in new ventures might pose the risk of objectives and returns not being achieved because of a number of underlying risks. The group mitigates this risk by investing heavily in both pre-investment period by undertaking a spectrum of due diligence exercises and post implementation by having a laid out plan for the initial phases of the taken-over or incepted business.

Principal risks and uncertainties (continued)

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

(c) Resources and skills
Failure to engage and develop the group's existing employees or to attract and retain talented employees could hamper the group's ability to deliver in the future. The group invests continuously in training its employees and undertakes regular reviews of the group's resource requirements.

(d) Economic and market environment
Demand for the group's products can be adversely affected by weakness in the wider economy which are beyond the group's control. This risk is evaluated as part of the group's annual strategy process covering the key areas of investment and development and updated regularly throughout the year. The group continues to make significant investment in innovation. The group regularly reviews its pricing structures to ensure that its products are appropriately and competitively placed within the markets in which it operates.

(e) Brand and reputation risk
Damage to the group's reputation could ultimately impede the group's ability to execute its corporate strategy. This can occur both from the actions of the group itself and also from the actions of the brands that the group represents. To mitigate this risk, the group strives continually to build its reputation through a commitment to sustainability, transparency, effective communication and governance. The group works to develop and maintain its brand value.

(f) Technology, cyber risk and business interruption
The group relies on information technology in all aspects of its business. In addition, the services that the group offers to its customers are reliant on complex technical infrastructure. A failure in the operation of the group's key systems or infrastructure could cause a failure of service to its customers, thus negatively impacting its brand, and increased costs. The group makes significant investment in technology infrastructure to enable it to continue to support the growth of its business and has a robust selection and monitoring process of third-party providers. The group also invests highly in information security technical safeguards and trains its people on an ongoing manner on how to handle information security threats and breaches.

(g) Supply chain
A significant failure within the supply chain could adversely affect the group's ability to deliver products and services to its customers. For this reason, the group has proper crisis management plans in place to mitigate such risk.

Principal risks and uncertainties (continued)

(h) Political risk
The group operates in many countries with differing economic, social and political conditions, which could include political unrest, strikes and other forms of instability. Changes in these conditions may adversely affect the group's business, results of operations, financial conditions or prospects. The group adapts to such risks by incorporating this risk into its business strategy.

(i) Fluctuations in property values
Property values are affected by and may fluctuate as a result of changing demand, changes in general economic conditions, changing supply within a particular area of competing space and attractiveness of real estate relative to other investment choices. The group has mitigated this risk by investing in a diversified selection of prime locations and has secured long term arrangements with established tenants.

(j) Significant judgements and estimates
Note 3 to the financial statements provides details in connection with the inherent uncertainties that surround the preparation of the financial statements and which require significant estimates and judgements.

(k) Strategic relationships
Hili Ventures has established strategic relationships with key business partners. There is no guarantee that the group will be able to maintain these alliances or enter into further alliances. The loss of significant relationships could have a material adverse effect on the group's business, results of operations and financial condition. The group has developed a culture of performing to the highest standards set by the agreements under which it operates in strategic partnerships. By doing so the group mitigates risks of operational shortcomings that would lead to breaching such agreements.

Non-Financial statement

Environmental matters

The group is committed to achieving a number of sustainability objectives, and all subsidiaries within the group have a role to play in minimising the impact that their operations have on the environment. All companies are committed to ensuring they exert the necessary influence so that the natural environment is protected along the entire value chain. Management teams use their knowledge and skills to contribute to a consistent rise in eco-efficiency in a bid to help combat climate change, promote natural resource conservation and play their part in efficient waste management. As part of this commitment, the group invests in innovative technologies and equipment and training, reviews processes and procedures, collaborates with other organizations to raise awareness, and works with key suppliers to promote sustainable practices in their operations.

Non-financial statement (continued)

Environmental matters (continued)

At all times, the group ensures management teams within subsidiaries understand their responsibility and accountability so that they are good neighbours within the communities in which they operate.

Employee matters

Thanks to the diversity of its business activities, the group is in a unique position to provide its people with valuable professional experience and meaningful work culture experiences. By promoting career progression and job mobility across divisions and markets, the group provides opportunity, nurtures talent, develops leaders and rewards achievement. The group believes that a team of people 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 and its positioning in the job markets where it operates.

Performance evaluation systems are in place across the group and multi-stage training systems regularly monitor people's development and set training requirements.

All of the group's employees are treated with fairness, respect and dignity at a workplace that provides equal opportunity for employees and applicants. All staff has the right to work in a work environment that is free from harassment, intimidation or abuse, sexual or otherwise, or acts or threats of physical violence. The group is committed to diversity and equal opportunities for everyone, respecting the unique attributes and perspectives of every employee, and relying 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 works 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, gender, age, national origin, disability, sexual orientation, gender identity or any other basis protected by law. In addition, it is committed to its duty of care by providing a safe and healthy work 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 colleagues. For everyone's safety, employees must immediately report accidents and unsafe practices or conditions to their immediate supervisors.

Non-financial statement (continued)

Social Matters

The group is proud of its long-standing commitment to give back to local communities.

The group makes considerable financial donations to charitable organizations in the markets it operates, particularly those that address the needs of children. The local chapters of the Ronald McDonald House Charities (RMHC) have a special place in the group's philanthropy. Each year, the restaurants within the group raise funds for RMHC and other children's causes to help defray RMHC's general and administrative costs and certain other costs it would otherwise incur to raise funds and deliver program services.

These RMHC Chapters are part of the Ronald McDonald House Charities global non-profit network which delivers programmes and services in more than 65 countries and regions, benefitting the lives of millions of children and their families. McDonald's has been the RMHC's mission partner since the first RMHC House was established in the US in 1974. Premier Capital plc through its subsidiaries in Romania, Latvia and Malta play an instrumental role in the setup and ongoing operation of two charity homes in Romania, a Care Mobile vehicle bringing basic healthcare service to rural areas in Latvia and a RMHC Learning Centre in Malta.

In addition to their support of the RMHC Chapters, the McDonald's operators made significant donations of food and hot drinks to healthcare workers and first responders across their communities during the crisis caused by the coronavirus pandemic.

Respect for human rights

The group conducts its activities in a manner that respects human rights, shouldering its responsibility 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.

Non-financial statement (continued)

Anti-corruption and bribery matters

The group's employees must comply with the group Code of Conduct and Whistleblower 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. Upon employment, every employee is introduced to these policies, to which adherence is mandatory.

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 officials or their representatives.

The group complies with the applicable laws in all countries where it does business. It adopts a Global 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 the group's business, and by discouraging such behaviour by its business partners.

Business Model

The Hili Ventures group is a proud partner of Allison, Apple, Cisco, CMA CGM, Hoffmann, IBM, Konecranes, Lenovo, McDonald's, Microsoft, NCR, and Terberg, and many others. The business model operates on five key core values being Integrity, Performance, Change, Innovation and Responsibility are essential to the group's success.

The business model which thrives on these core principles is depicted in the "three-legged stool" of operators, suppliers and employees, is its foundations, and the balance of interest among the three groups is essential to the group's success. The strength of the alignment among the companies within the group, its suppliers, and employees has been key to the group's success. This business model enables the group to consistently deliver locally and internationally positive experiences to customers and be an integral part of the communities it serves.

Results and dividends

The results for the year ended 31 December 2020 are shown in the statements of comprehensive income on page 15. The group's total comprehensive income for the year was *Eur13,669,695* (2019 – *Eur29,936,676*), while the company's profit for the year after taxation was *Eur1,210,442* (2019 – *Eur11,653,079*). During the year, the directors declared a dividend of *Eur4,651,200* to the preference shareholders (2019 – *Eur9,651,200).*

Post Balance Sheet Events

There were no relevant post balance sheet events to report.

Likely future business developments

In the light of the macro-economic conditions the business community faced in 2020, the directors consider that the year-end financial position was satisfactory and that the group exhibited a good level of resilience in a period of unprecedented adversity. While remaining cautiously optimistic, the directors consider the group is well placed to sustain a satisfactory level of activity in the foreseeable future.

Directors

Steve Tarr (Chairman)
Carmelo sive Melo Hili
Victor Tedesco
Jesmond Mizzi
Annabel Hili
Richard Abdilla Castillo (resigned on 10th July 2020)

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

Disclosure of information to auditors

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 directors in order to make themselves aware of any relevant information needed by the independent auditor in connection with preparing the audit report and to establish that the independent auditor is aware of that information.

Auditors

The auditor Grant Thornton has intimated its willingness to continue in office and a resolution proposing its re-appointment will be put to the Annual General Meeting.

Approved by the board of directors and signed on its behalf on the 27th May 2021 by:

Steve Tarr
Chairman

Carmelo sive Melo Hili
Director

Statement of directors' responsibilities

Year ended 31 December 2020

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the company and the group and will continue in business as a going concern;
- account for income and charges relating to the accounting period on accrual basis;
- value separately the components of asset and liability items; and
- report comparative figures corresponding to those in the preceding accounting period.

The directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the company and the group which enable the directors to ensure that the financial statements comply with the Companies Act (Cap. 386). This responsibility includes designing, implementing and maintaining such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Hili Ventures Limited

Statements of profit or loss and other comprehensive income

Year ended 31 December 2020

		Group		Holding company	
		2020	2019	**2020**	2019
	Notes	**Eur**	Eur	**Eur**	Eur
Continuing operations					
Revenue	*5*	**483,237,106**	490,567,309	**2,400,000**	1,480,000
Cost of sales	*10*	**(385,089,872)**	(384,443,463)	**-**	-
Gross profit		**98,147,234**	106,123,846	**2,400,000**	1,480,000
Other operating income	*6*	**2,838,940**	1,544,573	**174,035**	39,006
Other operating expenses		**(214,264)**	(488,344)	**-**	-
Selling expenses	*10*	**(20,096,522)**	(21,496,098)	**(6,652)**	(10,937)
Administrative expenses	*10*	**(43,518,082)**	(48,270,607)	**(4,158,318)**	(5,090,369)
Operating profit/(loss)		**37,157,306**	37,413,370	**(1,590,935)**	(3,582,300)
Investment income	*7*	**3,445,926**	9,986,071	**11,220,873**	20,433,250
Investment losses	*8*	**(2,052,511)**	(4,220,880)	**(1,716,250)**	(1,300,000)
Net investment income		**1,393,415**	5,765,191	**9,504,623**	19,133,250
Finance costs	*9*	**(19,475,554)**	(16,701,945)	**(6,695,789)**	(4,529,755)
Profit before tax	*10*	**19,075,167**	26,476,616	**1,217,899**	11,021,195
Income tax (expense)/ credit	*13*	**(3,825,354)**	(3,886,949)	**(7,457)**	631,884
Profit for the year		**15,249,813**	22,589,667	**1,210,442**	11,653,079
Other comprehensive expense					
Items that will not be reclassified subsequently to profit or loss:					
Decrease in fair value of financial assets at fair value through other comprehensive income	*21*	**(15,225)**	(15,883)	**-**	-
Items that may be reclassified subsequently to profit or loss:					
Decrease in fair value of financial assets at fair value through other comprehensive income	*21*	**(6,650)**	(20,240)	**-**	-
Revaluation on property, plant and equipment		**4,199,635**	8,175,738	**-**	-
Exchange differences on translation of foreign operations		**(5,757,878)**	(792,606)	**-**	-
		(1,564,893)	7,362,892	**-**	-
Total other comprehensive (expense) / income		**(1,580,118)**	7,347,009	**-**	-
Total comprehensive income for the year		**13,669,695**	29,936,676	**1,210,442**	11,653,079
Profit attributable to:					
Owners of the company		**13,703,245**	19,788,335		
Non-controlling interests		**1,546,568**	2,801,332		
		15,249,813	22,589,667		
Total comprehensive income attributable to:					
Owners of the company		**12,123,127**	26,643,312		
Non-controlling interests		**1,546,568**	3,293,364		
		13,669,695	29,936,676		

Hili Ventures Limited

Statements of financial position

Year ended 31 December 2020

	Notes	Group 2020 Eur	Group 2019 Eur	Holding company 2020 Eur	Holding company 2019 Eur
ASSETS AND LIABILITIES					
Non-current assets					
Goodwill	*15*	**86,757,032**	77,035,811	**-**	-
Intangible assets	*16*	**19,572,736**	21,138,610	**107,541**	51,784
Property, plant and equipment	*17*	**214,444,663**	202,170,771	**267,669**	137,432
Investment property	*20*	**64,726,757**	72,605,084	**-**	-
Property held for sale	*24*	**7,735,151**	3,774,413	**-**	-
Right of use assets	*18*	**80,583,179**	80,917,982	**2,943,725**	2,599,267
Investments in subsidiaries	*21*	**-**	-	**199,610,147**	136,743,844
Investments in associates	*21*	**496,191**	270,678	**-**	-
Investments in joint ventures	*21*	**965,831**	907,996	**-**	-
Other financial assets	*21*	**50,000**	50,000	**-**	-
Financial assets at fair value through other comprehensive income	*21*	**798,269**	820,144	**-**	-
Loans and receivables	*21*	**14,337,525**	2,817,410	**12,490,973**	59,568,869
Deposit on acquisition of investments	*21*	**24,500,000**	24,500,000	**-**	-
Trade and other receivables	*23*	**1,983,628**	2,295,701	**-**	-
Deferred tax assets	*29*	**3,711,668**	3,172,173	**329,623**	258,498
Restricted cash		**1,582,998**	1,191,606	**-**	-
		522,245,628	493,668,379	**215,749,678**	199,359,694
Current assets					
Inventories	*22*	**17,713,786**	19,040,198	**-**	-
Loans and receivables	*21*	**8,297,028**	22,455,135	**8,015,000**	23,602,098
Contract assets	*5*	**1,854,760**	383,998	**-**	-
Trade and other receivables	*23*	**23,508,164**	22,929,828	**885,897**	404,332
Cash and cash equivalents	*33*	**47,595,565**	66,238,141	**3,743,767**	7,298,815
Current tax assets		**3,006,809**	4,199,856	**276,783**	1,747,628
		101,976,112	135,247,156	**12,921,447**	33,052,873
Total assets		**624,221,740**	628,915,535	**228,671,125**	232,412,567
Current liabilities					
Trade and other payables	*25*	**65,696,714**	68,412,629	**846,179**	1,184,430
Contract liabilities	*28*	**1,383,949**	2,397,231	**-**	-
Other financial liabilities	*27*	**891,302**	7,938,819	**9,816,476**	14,256,794
Bank loans and overdrafts	*26*	**22,621,664**	18,517,432	**2,241,554**	2,208,084
Lease liabilities	*19*	**9,472,161**	11,110,972	**315,036**	239,524
Current tax liability		**3,365,680**	3,980,860	**-**	-
		103,431,470	112,357,943	**13,219,245**	17,888,832

Hili Ventures Limited

Statements of financial position (continued)

Year ended 31 December 2020

		Group		Holding company	
		2020	2019	**2020**	2019
		Eur	Eur	**Eur**	Eur
Non-current liabilities					
Debt securities in issue	*30*	**255,337,859**	254,915,560	**-**	-
Trade and other payables	*25*	**591,647**	941,843	**-**	-
Other financial liabilities	*27*	**2,333,876**	4,525,069	**126,588,864**	120,341,655
Bank loans	*26*	**71,872,008**	68,178,339	**10,687,500**	12,921,427
Provisions		**306,170**	420,234	**-**	-
Lease liabilities	*19*	**74,882,726**	71,947,549	**2,779,167**	2,423,546
Deferred tax liabilities	*29*	**8,654,914**	5,501,375	**-**	-
		413,979,200	406,429,969	**140,055,531**	135,686,628
Total liabilities		**517,410,670**	518,787,912	**153,274,776**	153,575,460
Net assets		**106,811,070**	110,127,623	**75,396,349**	78,837,107
EQUITY					
Share capital	*31*	**69,400,000**	69,400,000	**69,400,000**	69,400,000
Other equity		**(205,968)**	10,514,006	**-**	-
Retained earnings		**31,791,499**	20,199,505	**5,996,349**	9,437,107
Total equity		**100,985,531**	100,113,511	**75,396,349**	78,837,107
Non-controlling interests		**5,825,539**	10,014,112	**-**	-
Total equity		**106,811,070**	110,127,623	**75,396,349**	78,837,107

The financial statements on pages 15 to 150 were approved by the board of directors, authorised for issue on the 27th May, 2021 and signed on its behalf by:

Steve Tarr
Chairman

Carmelo sive Melo Hili
Director

Hili Ventures Limited

Statement of changes in equity- Group
Year ended 31 December 2020

	Share capital Eur	Other equity Eur	Retained earnings Eur	Attributable to equity holders of parent Eur	Non-controlling interests Eur	Total Eur
Balance as at 1 January 2019	**69,400,000**	**3,201,257**	**9,416,577**	**82,017,834**	**4,372,330**	**86,390,164**
Preference dividends	-	-	(9,651,200)	(9,651,200)	-	**(9,651,200)**
Dividends paid to non-controlling interests	-	-	-	-	(2,210,656)	**(2,210,656)**
Profit for the year	-	-	19,788,335	19,788,335	2,801,332	**22,589,667**
Other comprehensive income allocated to non-controlling interest	-	(492,032)	-	(492,032)	492,032	-
Other comprehensive income for the year	-	7,347,009	-	7,347,009	-	**7,347,009**
Total comprehensive income for the year	**-**	**6,854,977**	**19,788,335**	**26,643,312**	**3,293,364**	**29,936,676**
Minority interest on acquisition of a subsidiary	-	-	-	-	868,063	**868,063**
Minority Interest on partial sale of a subsidiary	-	-	1,156,083	1,156,083	3,691,011	**4,847,094**
Other movements	-	457,772	(510,290)	(52,518)	-	**(52,518)**
Balance as at 1 January 2020	**69,400,000**	**10,514,006**	**20,199,505**	**100,113,511**	**10,014,112**	**110,127,623**

Statement of changes in equity- Group (continued)
Year ended 31 December 2020

	Share capital Eur	Other equity Eur	Retained earnings Eur	Attributable to equity holders of parent Eur	Non-controlling interests Eur	Total Eur
Balance as at 1 January 2020	**69,400,000**	**10,514,006**	**20,199,505**	**100,113,511**	**10,014,112**	**110,127,623**
Dividends	-	-	(4,651,200)	(4,651,200)	-	**(4,651,200)**
Dividends paid to non-controlling interests	-	-	-	-	(489,649)	**(489,649)**
Profit for the year	-	-	13,703,245	13,703,245	1,546,568	**15,249,813**
Other comprehensive income allocated to non-controlling interest	-	-	-	-	-	**-**
Other comprehensive income for the year	-	(1,580,118)	-	(1,580,118)	-	**(1,580,118)**
Total comprehensive income for the year	**-**	**(1,580,118)**	**13,703,245**	**12,123,126**	**1,546,568**	**13,669,695**
Minority Interest on partial acquisition of subsidiary	-	(9,271,810)	2,689,600	(6,582,210)	(5,158,580)	**(11,740,790)**
Other movements	-	131,954	(149,651)	(17,697)	(86,912)	**(104,609)**
Balance as at 31 December 2020	**69,400,000**	**(205,968)**	**31,791,499**	**100,985,531**	**5,825,539**	**106,811,070**

Hili Ventures Limited

Statement of changes in equity- Holding company
Year ended 31 December 2020

	Share capital Eur	Retained earnings Eur	Total Eur
Balance at 1 January 2019	**69,400,000**	**7,435,228**	**76,835,228**
Preference dividends (note 14)	-	(9,651,200)	(9,651,200)
Total comprehensive income for the year	-	11,653,079	11,653,079
Balance at 1 January 2020	**69,400,000**	**9,437,107**	**78,837,107**
Preference dividends (note 14)	-	(4,651,200)	(4,651,200)
Total comprehensive income for the year	-	1,210,442	1,210,442
Balance at 31 December 2020	**69,400,000**	**5,996,349**	**75,396,349**

Hili Ventures Limited

Statements of cash flows

Year ended 31 December 2020

	Group 2020 Eur	Group 2019 Eur	Holding company 2020 Eur	Holding company 2019 Eur
Cash flows from operating activities				
Profit before tax	**19,075,167**	26,476,616	**1,217,899**	11,021,195
Adjustments for:				
Depreciation and amortisation	**18,522,274**	16,423,034	**117,287**	116,863
Depreciation on right of use assets	**11,412,749**	10,787,375	**400,591**	297,364
Net exchange differences	**757,719**	85,680	**-**	-
Bad debts written off	**68,182**	391,975	**-**	-
Bond amortisation costs	**422,299**	345,876	**171,110**	94,684
Acquisition related costs	**501,042**	-	**-**	-
Movement in provision for doubtful debts	**(73,958)**	42,176	**-**	224,532
Dividends from equity instruments	**-**	-	**(9,715,288)**	(20,000,062)
Interest income on bank deposits and financial assets	**(145,222)**	(216,332)	**-**	-
Interest payable	**14,495,705**	12,897,429	**6,394,159**	4,335,069
Interest income on amounts due from related parties	**(705,449)**	(505,301)	**(744,541)**	(415,259)
Interest payabe on amounts owed to related parties	**148,103**	151,967	**-**	-
Interest on leased assets	**3,162,885**	2,958,932	**130,520**	100,002
Other interest receivable	**-**	-	**-**	(17,929)
Share of profit of associated undertakings	**(421,513)**	(246,028)	**-**	-
Share of profits in jointly controlled entities	**(57,835)**	(107,557)	**-**	-
Gain on partial sale of subsidiaries	**-**	(5,881,742)	**-**	-
(Gain) / Loss on disposal of subsidiary	**(200,000)**	-	**1,198**	-
Loss on derivative financial instrument	**215,293**	262,061	**-**	-
Loss on disposal of intangible assets	**320,000**	80,360	**-**	-
Loss on disposal of a subsidiary	**-**	58,363	**-**	-
Gain on derivative financial instruments	**-**	(87,946)	**-**	-
Loss on disposal of investment property	**-**	23,700	**-**	-
Loss on disposal of property plant and equipment	**184,052**	372,766	**-**	311
Loss on disposal of right of use assets	**10,013**	-	**-**	-
Loss on disposal of other assets	**91,553**	5,612	**-**	-
Increase in fair value of investment properties	**(1,910,477)**	(1,329,852)	**-**	-
Increase in fair value of property held for sale	**-**	(1,418,787)	**-**	-
Decrease in fair value of investment properties	**574,851**	343,817	**-**	-
Stocks written off	**347,915**	115,734	**-**	-
Gain on waiver of loans	**-**	-	**(761,044)**	-
Lease payments waived by lessors	**(1,689,912)**	-	**-**	-
Impairment on loans and receivables	**-**	-	**305,000**	1,300,000
Impairment of property, plant and equipment	**-**	2,306	**-**	-
Impairment on investment in subsidiary	**-**	-	**1,411,250**	-
Other fair value movements	**-**	198,712	**-**	-
Impairment of goodwill	**831,582**	3,789,388	**-**	-
Net cash flows from / (used in) continuing operations	**65,937,018**	66,020,334	**(1,071,859)**	(2,943,230)

Hili Ventures Limited

Statements of cash flows (continued)

Year ended 31 December 2020

	Group		Holding company	
	2020	2019	**2020**	2019
	Eur	Eur	**Eur**	Eur
Movement in inventories	**978,497**	3,554,846	**-**	-
Movement in trade and other receivables	**3,954,799**	(2,272,927)	**(481,703)**	(195,445)
Movement in trade and other payables	**(5,321,570)**	(1,573,775)	**(338,251)**	161,105
Change in contract assets	**(1,470,762)**	698,045	**-**	-
Change in contract liabilities	**(1,013,282)**	722,479	**-**	-
Cash flows from / (used in) operations	**63,064,700**	67,149,002	**(1,891,813)**	(2,977,570)
Interest paid	**(14,495,705)**	(12,897,429)	**(6,239,173)**	(3,016,707)
Taxation refunded	**2,520,383**	1,152,404	**1,747,629**	830,057
Taxation paid	**(6,204,020)**	(6,759,162)	**-**	(7,172)
Net cash flows from / (used in) operating activities	**44,885,358**	48,644,815	**(6,383,357)**	(5,171,392)
Cash flows from investing activities				
Payments to acquire property plant and equipment	**(18,632,890)**	(85,750,996)	**(216,184)**	(41,099)
Payments to acquire investment properties	**(121,198)**	(975,887)	**-**	-
Payments to acquire intangible assets	**(1,277,541)**	(850,978)	**(87,829)**	(44,856)
Proceeds from sale of property, plant and equipment	**610,753**	321,652	**732**	582
Proceeds from sale of investment properties	**3,914,000**	4,033,851	**-**	-
Payments to acquire non-controlling interest in subsidiary	**(11,489,000)**	-	**-**	-
Proceeds from sale of subsidiary	**1,858,726**	17,969,322	**-**	-
Proceeds from group undertakings	**-**	-	**1,931,312**	77,578,320
Cash paid on acquisition of subsidiaries	**(24,784,537)**	(850,000)	**-**	-
Acquisition related costs	**(501,042)**	-	**-**	-
Interest received	**145,222**	216,332	**69,602**	190,543
Dividends received from associates	**196,000**	83,300	**-**	-
Dividends received from equity investments	**-**	-	**9,360,060**	13,000,062
Cash disposal on sale of subsidiaries	**(44,642)**	(120,357)	**-**	-
Cash and cash equivalents taken over upon acquisition of subsidiaries and a business	**1,509,407**	12,278	**-**	-
Net cash flows (used in) / from investing activities	**(48,616,742)**	(65,911,483)	**11,057,693**	90,683,552

Hili Ventures Limited

Statements of cash flows (continued)

Year ended 31 December 2020

	Group		Holding company	
	2020	2019	**2020**	2019
	Eur	Eur	**Eur**	Eur
Cash flows from financing activities				
Investments in subsidiaries	**-**	-	**(104,251)**	(2,000,000)
Proceeds from bond issue	**-**	80,000,000	**-**	-
Payments made to issue bonds	**-**	(1,057,907)	**-**	-
Payments to other related parties	**(2,208,348)**	(4,442,208)	**(2,778,723)**	(63,471,198)
Interest paid on leasing arrangements with related party	**-**	-	**(129,794)**	(98,794)
Interest paid on leasing arrangements with third parties	**(3,162,885)**	(2,958,932)	**(724)**	(1,208)
Payments for lease obligations with related party	**-**	-	**(297,841)**	(217,969)
Payments for lease obligations with third parties	**(8,101,681)**	(8,646,836)	**(16,077)**	(15,592)
Proceeds from bank loans	**22,884,353**	4,597,831	**-**	-
Repayment of bank loans	**(13,999,980)**	(14,178,148)	**(2,200,457)**	(2,173,885)
Transfer to restricted cash	**(391,392)**	(360,428)	**-**	-
Dividends paid	**(2,701,517)**	(8,951,605)	**(2,701,517)**	(8,951,605)
Dividends paid to NCI	**(489,649)**	(1,849,411)	**-**	-
Repayment of amount to third parties	**(6,000,000)**	-	**-**	-
Net cash flows (used in) / from financing activities	**(14,171,099)**	42,152,356	**(8,229,384)**	(76,930,251)
Net movement in cash and cash equivalents	**(17,902,483)**	24,885,688	**(3,555,048)**	8,581,909
Cash and cash equivalents at the beginning of the year	**59,444,614**	33,832,520	**7,298,815**	(1,283,094)
Effect of movements in exchange	**346,379**	726,406	**-**	-
Cash and cash equivalents at the end of the year	**41,888,510**	59,444,614	**3,743,767**	7,298,815

1. Company information and basis of preparation

Hili Ventures Limited is a company incorporated in Malta with registration number C57902. The registered address is Nineteen Twenty-Three, Valletta Road, Marsa, MRS 3000.

The financial statements have been prepared on an accrual basis and under the historical cost convention, except for investment properties and land and buildings which are carried at their fair values, and in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) as adopted by the European Union, and also in accordance with the Companies Act, Cap 386. The significant accounting policies adopted are set out below.

Appropriateness of the going concern assumption in the preparation of the financial statements

In view of the developments pertaining to the Covid-19 pandemic that occurred during the current reporting period, management evaluates on an ongoing basis the performance and projections of the various subsidiaries, and the effect that similar business disruption might have on the profitability, liquidity and going concern of the group in the future. During 2020, these events have had a significant impact on the general economy, however operating and forecasted results show that the industries in which the group operates has been and will continue to be resilient to any negative impact being experienced by the general economy. The results for the year ending 31 December 2021 are expected to be restored and positively impacted with the effect that herd immunity and progressive vaccination is expected to have on general economic and corporate outlook and consumer confidence. Directors retain a sense of cautious optimism and with the available business outlook in hand, management considers the going concern assumption in the preparation of the financial statements as appropriate as at the date of authorisation. It is also believed that no material uncertainty that may cast significant doubt about the group's ability to continue as a going concern exists at that date. All the necessary adjustments arising from the uncertainties brought about by the pandemic have been made in the current reporting period ended 31 December 2020.

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.

As disclosed in note 41 at the end of the current reporting period, the group and the company reported a net current liability position of *Eur1,455,358* and *Eur297,798* respectively.

2. Significant accounting policies

Appropriateness of the going concern assumption in the preparation of the financial statements (continued)

Throughout the year under review, the group utilized internal cash reserves to finance a substantial part of the acquisition of the STS business and the full acquisition of the minority holding within Premier Capital group. The group has significant cash holdings at year end to enable it to meet its obligations as they fall due. Moreover, after balance sheet date, the group obtained a new bank loan facility of *Eur3,300,000*. This, together with the anticipated improvement in the group's performance in 2021, will enable the group to revert to a net current asset position shortly after year end.

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. 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 the group entities.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in the net assets or liabilities of consolidated subsidiaries are identified separately from the group's equity therein. Non-controlling interests consists 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. Total comprehensive income is attributable to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

2. Significant accounting policies (continued)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognised at their fair value, except where the exceptions to the recognition or measurement principles apply.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date and the resulting gain or loss, if any, is recognised in profit or loss. Amounts previously recognised in other comprehensive income in relation to the acquiree are accounted for in the same manner as would be required if the interest were disposed of.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary.

2. Significant accounting policies (continued)

Business combinations (continued)

Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the holding company.

Where the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under *IFRS 9 Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2. Significant accounting policies (continued)

Investments in subsidiaries

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

Investments in subsidiaries in the company's financial statements are stated on the basis of the direct equity interest and is stated at cost less any accumulated impairment losses. Dividends from the investments are recognised in profit or loss.

At each balance sheet date, the company reviews the carrying amount of its investments in subsidiaries and associates 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.

Property, plant and equipment

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

The holding company's property, plant and equipment consists of furniture, fittings, computer equipment and other equipment.

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

2. Significant accounting policies (continued)

Property, plant and equipment (continued)

Land and buildings are held for use in the production or supply of goods or services or for administrative purposes. Subsequent to initial recognition, land and buildings are stated at revalued amounts less any accumulated depreciation and any accumulated impairment losses. Revalued amounts are fair values based on appraisals prepared by external professional valuers once every two years or more frequently if market factors indicate a material change in fair value. Any revaluation surplus is recognised in other comprehensive income and credited to the revaluation reserve in equity.

Improvements to premises incorporate all costs incurred, including acquisition costs and other costs attributable to bring the leased premises to the design, specifications and conditions necessary for operations or as requested by the franchise agreement. Subsequent to initial recognition, improvements to premises are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Other tangible assets are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment are derecognised when no future economic benefits are expected from their use or upon 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 within administrative expenses in the period of derecognition.

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.

2. Significant accounting policies (continued)

Depreciation

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

Land and buildings	-	2% - 20%
Plant and equipment	-	10% - 50%
Motor vehicles	-	10% - 33.3%
Furniture, fittings and other equipment	-	10% - 33%
Office equipment	-	10% - 33%
Computer equipment	-	25%

No depreciation is charged on land.

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

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.

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.

2. Significant accounting policies (continued)

Intangible assets (continued)

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.

(i) Computer software

In determining the classification of an asset that incorporates both intangible and tangible elements, judgement is used in assessing which element is more significant. Computer software which is an integral part of the related hardware is classified as property, plant and equipment and accounted for in accordance with the company's accounting policy on property, plant and equipment.

Where the software is not an integral part of the related hardware, this is classified as an intangible asset and carried at cost less any accumulated amortisation and any accumulated impairment losses. Computer software classified as an intangible asset is amortised on a straight-line basis over three to five years.

(ii) Acquired rights

Acquired rights are classified as intangible assets. After initial recognition, acquired rights are carried at cost less any accumulated amortisation and any accumulated impairment losses. Acquired rights are amortised on a straight-line basis over thirty-five to forty years.

(iii) Franchisee fees

After initial recognition, franchisee fees are carried at cost less any ccumulated amortisation and any accumulated impairment losses. Franchisee fees are written off to profit or loss by equal instalments over the term of the franchise agreement.

(iv) 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.

2. Significant accounting policies (continued)

Investment property

Investment property is property held to earn rentals or for capital appreciation or both. investment property is recognised as an asset when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliably. Investment property is initially measured at cost, including transaction costs.

Subsequent to initial recognition, investment property is revalued annually and is stated at fair value in the statement of financial position at the end of the reporting period. Gains or losses arising from changes in the fair value of investment property are recognised in profit or loss in the period in which they arise. The group assesses the value of the investment property annually whereby external valuations are sought every 3 years and internal valuations are done intermittently.

Investment property is derecognised on disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses on derecognition represent the difference between the net disposal proceeds and the carrying amount and are recognised in profit or loss in the period of derecognition.

Property held for sale

Property is classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use, and if sale is considered highly probable. Property held for sale is measured at fair value, in accordance with the group's accounting policy on investment property.

Financial instruments

(i) Recognition and derecognition

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially recognised at their fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through the profit and loss) are added to or deducted from the fair value of financial assets or financial liabilities, as appropriate, on initial recognition.

2. Significant accounting policies (continued)

(i) Recognition and derecognition (continued)

Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through the profit and loss are recognised immediately in the profit and loss.

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

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

(ii) Classification and initial measurement

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 the profit and loss;
- fair value through other comprehensive income.

The classification is determined by both:
- the company'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 the profit or loss are presented within finance costs and finance income, except for impairment of trade receivables which is presented within other expenses.

(iii) Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets held by the company and the group are measured at amortised cost, if the following conditions are met:

- these financial assets are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows;

2. Significant accounting policies (continued)

(iii) Subsequent measurement of financial assets (continued)

- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The group and company's cash and cash equivalents, 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.

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

The group accounts for financial assets at FVOCI if the assets meet the following conditions:

a) they are held under a business model whose objective is "hold to collect" the associated cash flows and sell and

b) the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

(i) Trade and other receivables and contract assets

The group makes use of a simplified approach in accounting for trade and other receivables 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.

2. Significant accounting policies (continued)

Financial instruments (continued)

(ii) Bank borrowings

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

(iii) Other borrowings

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

(iv) Trade and other payables

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

(v) Shares issued by the company

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

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

(vi) Derivative financial instruments

Derivative financial assets and derivative financial liabilities are classified as held for trading unless they are designated and effective hedging instruments. During the year under review and during the prior year, the group did not designate any of its derivative financial instruments in a hedging relationship for accounting purposes. After initial recognition, derivative financial instruments are measured at their fair value. Gains and losses arising from a change in fair value are recognised in profit or loss in the period in which they arise.

2. Significant accounting policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. The group considers the nature and use of the inventory when calculating the cost of inventories.

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

Provisions, contingent assets and contingent liabilities

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

Any reimbursement that the group is 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.

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

Impairment

At the end of each reporting period, the carrying amount of assets, including cash-generating units and investments in subsidiaries, is reviewed to determine whether there s any indication or objective evidence of impairment, as appropriate, and if any such indication or objective evidence exists, the recoverable amount of the asset is estimated.

2. Significant accounting policies (continued)

Impairment(continued)

Impairment testing of goodwill, other intangible assets, property plant and equipment and long-term prepayments

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

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. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of a related business combination and represent the lowest level within the group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the group's management as equivalent to its operating segments) are tested for impairment at least annually. 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, which is the higher of fair value less costs of disposal and value-in-use.

To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect current market assessments of the time value of money and asset-specific risk factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit.

2. Significant accounting policies (continued)

Impairment (continued)

Impairment testing of goodwill, other intangible assets, property plant and equipment and long-term prepayments (continued)

With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

Impairment losses are recognised immediately in profit or loss.

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

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

An impairment loss recognised for goodwill is not reversed in a subsequent period. Impairment reversals are recognised immediately in profit or loss.

In the case of financial assets, IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'.

Impairment of financial assets

IFRS 9 replaced IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements include loans and other debt-type financial assets measured at amortised cost and 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 considers a broad 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.

2. Significant accounting policies (continued)

Impairment (continued)

Impairment of financial assets (continued)

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

Trade and other receivables and contract assets

For trade receivables, 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. At the end of the reporting period, the group's receivables have been assessed for impairment and are not significantly impaired to disclosed within these financial statements.

2. Significant accounting policies (continued)

The Group - Revenue recognition

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

To determine whether to recognise revenue, the company and 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.

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

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

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position (see Note 28). 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.
The following specific recognition criteria must also be met:

Sale of goods

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

2. Significant accounting policies (continued)

Revenue recognition (continued)

Provision of services

Revenue from the provision of services is recognised in the period in which the services are rendered. For practical purposes, when services are performed by an indeterminate number of acts over a specified period of time, revenue is recognised on a straight-line basis over the specified period unless there is evidence that some other method better represents the stage of completion.

Restaurant operations

The group is engaged in the operations of McDonald's restaurants in Estonia, Greece, Latvia, Lithuania, Malta and Romania. Revenue from the operations of McDonald's restaurants in these countries is recognised at a point in time when the goods are sold to customers.

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 1-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 in 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.

2. Significant accounting policies (continued)

Revenue recognition (continued)

Sale of information technology solutions, security systems and other machinery (continued)

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.

2. **Significant accounting policies (continued)**

Revenue recognition (continued)

Maintenance and servicing (continued)

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 28).

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.

2. Significant accounting policies (continued)

Revenue recognition (continued)

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.

Ship-to-ship services

Revenue is recognised from the provision of support services for Ship-to-Ship (STS) cargo transfer operations, mainly oil and gas. In most instances, an STS operation takes between 24 and 48 hours to be completed, revenue is recognised upon completion of the operation.

Terminal management and consultancy service

Revenue arises from Liquefied Natural Gas (LNG) terminal management, emergency support services and consultancy. The performance obligations within these contracts typically consist of technical management and provision of consultancy. The performance obligations are satisfied concurrently, and consecutively rendered over the duration of the management contract over time. These are measured using the time elapsed from commencement of the contract. Consideration generally consists of fixed monthly management fees. Any costs incurred on behalf of the client are reimbursed. Management fees are invoiced monthly.

2. Significant accounting policies (continued)

Revenue recognition (continued)

Crane Assembly Projects and ancillary maintenance services

Revenue from the sale of supplies for Rubber-Tyred Gantry cranes and other products and machinery for a fixed fee is recognised when or as the company 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 and certification of the items or products sold. Control for these products is usually transfered at the point in time and occurs when the customer takes undisputed delivery of the cranes.

When 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.

The group also enters into fixed price maintenance contracts with its customers on this service generally for terms of 5 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 Rubber-Tyred Gantry cranes and terminal tractors. 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 contract relative to the maintenance requirements of the items sold, and (b) the company 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.

2. Significant accounting policies (continued)

Revenue recognition (continued)

Rental income

Rental income from operating leases, less the aggregate cost of incentives given to the lessee, is recognised as income in profit or loss on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense in profit or loss on a straight-line basis over the lease term.

Interest income

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

Holding company – Revenue recognition

The company entered into transactions with related parties for the provision of management services to group companies. Management fees are established through a contract with the respective group company and considered fixed in nature. It is not expected that future reversals to management fee income will occur and its inclusion as the transaction price is earned as the services are being performed. The performance obligation is identified for the services provided to the customer and is satisfied upon rendering and completion of the service. The price is agreed with the customer in a written agreement and is allocated to the performance obligation accordingly. Prices are based on established prices for management services being provided.

Dividend income

Dividend income is recognised when the shareholder's right to receive payment is established.

2. Significant accounting policies (continued)

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.

Leases

The Group as lessee

For any new contracts entered into, the group and the company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that coveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the group and the company 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 and the company.

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

2. Significant accounting policies (continued)

Leases (continued)

Measurement and recognition of leases

At lease commencement date, the group and the company 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 and the company, an estimate of any costs t 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 and the company 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 of asset or the end of the lease term. The group and the company also assess the right-of-use asset for impairment when such indicators exist.

At commencement date, the group and the company 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 and company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee 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 and the company has elected to account for short-term leases and leases of low-value assets 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 statements of financial position, the group and the company have opted to disclose right-of-use assets and lease liabilities as separate financial statement line items.

2. Significant accounting policies (continued)

Leases (continued)

The Group as a lessor

As a lessor the Group classifies its leases as operating leases. A lease is classified as an operating lease if it does not transfers substantially all the risks and rewards incidental to ownership of the underlying asset.

Taxation

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

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

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

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets, 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.

2. Significant accounting policies (continued)

Taxation (continued)

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

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.

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.

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

Employee benefits

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

2. **Significant accounting policies (continued)**

Share-based payments

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

The fair value of the services received in exchange for the grant of share-based payments was determined indirectly by reference to the fair value of the equity instruments granted. Their fair value was appraised at the grant date.
All equity-settled share-based remuneration is ultimately recognised as an expense in the consolidated profit or loss with a corresponding credit to retained earnings. The equity-settled share-based remuneration was recognised as a receivable from a subsidiary in the statement of financial position of the company with a corresponding credit to retained earnings.

Currency translation

The financial statements of the company and the group are presented in the functional currency, the Euro, being the currency of the primary economic environment in which the group operates. Transactions denominated in currencies other than the functional currency are translated at the exchange rates ruling on the date of transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are re-translated to the functional currency at the exchange rate ruling at period-end. Exchange differences arising on the settlement and on the re-translation of monetary items are dealt with in profit or loss.

Non-monetary assets and liabilities denominated in currencies other than the functional currency that are measured at fair value are re-translated using the exchange rate ruling on the date the fair value was determined. Non-monetary assets and liabilities denominated in currencies other than the functional currency that are measured in terms of historical cost are not re-translated. Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period, except for differences arising on the re-translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

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

2. Significant accounting policies (continued)

Currency translation (continued)

For the purpose of presenting consolidated financial statements, income and expenses of the group's foreign operations are translated to Euro at the average exchange rates. Assets and liabilities of the group's foreign operations are translated to Euro at the exchange rate ruling at the date of the statement of financial position. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into Euro at the closing rate. Exchange differences are recognised in other comprehensive income and accumulated in a separate component of equity. Such differences are reclassified from equity to profit or loss in the period in which the foreign operation is disposed of.

Cash and cash equivalents

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

Prepayments

Long term prepayments represent advance payments of rent or guarantee deposits made by the group in order to secure the lease on rented premises on which the McDonalds' restaurants are situated. Once the lease on the rented premises is terminated, the advance payment or guarantee deposit is released, and it is no longer recognised within long term prepayments in the statement of financial position. Long term prepayment mainly represents a guarantee deposit made for the provision of a private jet (refer to note 37).

Discontinued operations

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

2. Significant accounting policies (continued)

Equity, reserves and dividend payments

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

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. Dividends to holders of equity instruments are recognised directly in equity.

Retained earnings includes all current and prior period retained profits. All transactions with owners of the parent are recorded separately within equity.

Dividends relating to a financial liability, or to a component that is a financial liability, are recognised as an expense in profit or loss and are presented in the statement of profit or loss and other comprehensive income with finance costs.

Translation reserve comprises foreign currency translation differences arising from the translation of financial statements of the group's entities denominated in foreign currencies. This reserve is included within other equity.

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

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

The group reviews property, investments in subsidiaries, plant and equipment, right-of-use assets, intangible assets and loans and receivables, including trade receivables, to evaluate whether events or changes in circumstances indicate that the carrying amounts may not be recoverable. The company reviews intangible assets, right-of-use assets, investment in subsidiaries and loans and receivables to evaluate whether events or changes in circumstances indicate that the carrying amount may not be recoverable.

At the year-end, there were impairment indicators due to a drop in expected performance of one of the company's subsidiaries. The directors have performed an assessment of impairment for such investments based on the value in use of the estimated future cash flows expected to arise from the cash generating unit that corresponds to the investment being assessed for impairment. The aggregation of the cash generating units attributable to such investments is a key judgement in the impairment testing process of the company's investments.

Following the above assessment, the directors recognised an impairment loss of *Eur1,412,448 (*2019*: Eur1,300,000)* in the books of the company. The directors expect the carrying amount of other loans and receivables at 31 December, 2020 to be recoverable.

Goodwill

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. 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.

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

Goodwill (continued)

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.

At 31 December 2020, goodwill was allocated as follows:

- *Eur21,368,026* (2019: *Eur21,299,587*) to the polish subsidiary iSpot Poland Sp. z.o.o. which operates the Apple Premium Reseller Business.
- *Eur3,860,898* (2019: *Eur3,357,248*) to APCO Systems Limited which operates the electronic payment gateway.
- *Eur2,168,112* (2019: *Eur2,671,762*) to APCO Limited which operates in the business of selling and maintenance of IT solutions and security systems.
- *Eur1,464,476* (2019: *Eur1,464,476*) to PTL Limited which operates in the business of selling and maintenance of IT solutions and security systems.
- *Eur32,829,046* (2019: *Eur22,184,920*) to Hili Logistics group which operates in the business of providing road, sea and air logistics services. A goodwill of *Eur14,354,059* has been created through the acquisition of the STS business from Teekay Tankers Limited on 30 April 2020 for a consideration of *Eur24,784,537 (USD 26,955,663)*.
- *Eur25,066,474* (2019: *Eur25,226,236*) to Premier Capital plc which is allocated *Eur16,591,999* (2019 - *Eur16,591,999*) to the Malta operations and *Eur8,474,475* (2019 - *Eur8,634,237*) to the Romania operations.
- *Eur Nil* (2019: *Eur831,582*) to Gozo Express Services Limited which operates as a local courier service provider and as a freight forwarder and freight contractor.

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

Goodwill (continued)

During 2020, Harvest Technology p.l.c. a subsidiary of 1923 Investments Plc, reallocated goodwill between two of its subsidiaries. The following information provides further disclosure on such reallocation.

At 31 December 2019, goodwill in Harvest Technology p.l.c. was allocated as follows:
Eur3,357,248 (2018: *Eur3,357,248*) to APCO Systems Limited which operates the electronic payment gateway.
Eur2,671,762 (2018: *Eur2,671,762*) to APCO Limited which operates in the business of selling and maintenance of IT solutions and security systems.
Eur1,464,477 (2018: *Eur1,464,477*) to PTL Limited business.

The goodwill relating to APCO Systems Limited and to APCO Limited arose in 2014 when the Harvest Technology p.l.c. acquired those two companies for a combined consideration of *Eur7.06* million. Since APCO Limited and APCO Systems Limited are two separately identifiable Cash Generating Units ('CGUs'), Harvest was required to allocate the combined consideration of *Eur7.06* million between the two CGUs. At the time of the acquisition, management opted to allocate the *Eur7.06* million combined consideration on the basis of the average Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA') of APCO Limited and APCO Systems Limited.

Based on the Harvest's internal records, the EBITDAs used to split this combined consideration were *Eur451,000* and *Eur760,000* for APCO Limited and APCO Systems Limited respectively. Thus, based on this allocation mechanism, the combined consideration of *Eur7.06* million was split as follows: *Eur2.63* million for APCO Limited and *Eur4.43* million for APCO Systems Limited. Subsequent to this, a share price agreement reflecting the consideration determined for each company was entered into separately between the buyer and the seller. The consideration paid for each company acquired was then compared to the net assets acquired to arrive at the goodwill of each CGU.

During the year under review, the management of Harvest Technology p.l.c. conducted an exercise which was aimed at determining whether certain changes that have taken place since the acquisition of the two CGUs effect the allocation of goodwill that was conducted at the time of acquisition. Whilst noting that that there were no changes in the operations of both APCO Limited and APCO Systems Limited, pre-and post-acquisition, management noted that certain administrative recharges that used to be made from APCO Limited to APCO Systems Limited up to the date of acquisition were no longer being recharged post-acquisition. These recharges of administrative expenses, on average, amounted to *Eur86,400* per annum.

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

Goodwill (continued)

Although the total cash generation capabilities of both CGUs together remained unchanged, the termination of this recharge mechanism resulted in a change in the individual cash generation capabilities of the two CGUs. APCO Limited's cash generating capability from operations (or its EBITDA) is reduced by *Eur86,400* per annum whereas the EBITDA of APCO Systems is increased by the same amount.

Taking the above into consideration it has been determined that goodwill amounting to *Eur503,650* should be reallocated between the two CGUs, that is APCO Limited's goodwill should decrease by *Eur503,650* and conversely, APCO Systems' goodwill should increase by the same amount, as shown below:

	APCO Limited Eur	**APCO Systems Limited Eur**	**Total Eur**
Goodwill recognised up to 31 December 2019	2,671,762	3,357,248	6,029,010
Reallocation	(503,650)	503,650	-
Goodwill at 31 December 2020	**2,168,112**	**3,860,898**	**6,029,010**

Consequently, at 31 December 2020, goodwill was allocated as follows:

Eur3,860,898 (2019: *Eur3,357,248*) to APCO Systems Limited which operates the electronic payment gateway.
Eur2,168,112 (2019: *Eur2,671,762*) to APCO Limited which operates in the business of selling and maintenance of IT solutions and security systems.
Eur1,464,477 (2019: *Eur1,464,477*) to PTL Limited business.

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:

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

Goodwill (continued)

CGU – Retail and IT Solutions (Poland) (Continued)

- forecasted cash flow projections for the next three years and projection of terminal value using the perpetuity method;
- growth rates to perpetuity of 0.1% (2019: 0.26%); and
- use of 14.2% (pre-tax) (2019: 11.2%) to discount the projected cash flows to net present values

During 2019, the directors recognised an impairment loss of *Eur289,388* (see note 15). 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 0.1% (2019: 0.26%); and
- use of 17.9% (pre-tax) (2019: 14.5%) to discount the projected cash flows to net present values

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

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

Goodwill (continued)

CGU – IT Solutions and Security Systems

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

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

- forecasted cash flow projections for the next three years and projection of terminal value using the perpetuity method;
- growth rates to perpetuity of 0.1% (2019: 0.26%); and
- use of 14.8% - 25.6% (pre-tax) (2019: 13.9% - 17.1%) to discount the projected cash flows to net present values

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

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 and the UK as a whole. Furthermore the directors consider that the acquired STS business is closely linked to the STS operations in Malta and taking advantage of a number of synergies which are being experienced around the following areas:

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

Goodwill (continued)

CGU – Hili Logistics group (continued)

- Package offering where Carmelo Caruana Company Limited and STS Marine Solutions are in a better position to offer a single package to STS clients acting as one stop shop. This also brings a number of opportunities to cross-sell other services for vessel owners;
- Carmelo Caruana Company Limited through its STS function and agency can work closely and share market intelligence with STS Marine Solutions Ltd leading to the introduction of new contacts thereby increasing market share;
- Pricing and join marketing can target a wider spectrum of clients; and
- Sharing of market intelligence as well as resources will automatically bring along opportunities for cost savings and avoidance of being out priced in a particular territory.

Through the group's long standing relationship and the joint venture with CMA CGM Malta agency, the Hili Logistics group can now look into other areas for collaboration, complimentary to the current services including services relating to ship spares, customs clearance and other ancillary husbandry services.

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.

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

Goodwill (continued)

CGU – Hili Logistics group (continued)

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 0.1% (2019: 0.26%); and
- use of 10.4% - 12.7% (pre-tax) (2019: 10.4% - 14.1%) to discount the projected cash flows to net present values

During 2020, as part of this CGU's restructuring exercise, Carmelo Caruana Freeport Operations Limited, CCFO Malta Limited and Global Parcels Limited merged with Carmelo Caruana Company Limited.

Following a review of the carrying amount of this CGU by the directors during 2020, the directors have concluded that no impairment is necessary. An impairment charge of *Eur3,500,000* on the carrying amount of this CGU was recognised for the year ended 31 December 2019 (see note 15).

CGUs for Malta restaurant operations

The assessment of recoverability of the carrying amount of goodwill includes:

- forecasted projected cash flows for the next 5 years and projection of terminal value using the perpetuity method;
- growth rate of *0.1%* (2019 – *2.0%*); and
- use of *13.3%* (pre-tax) (2019 – *12.86%*) to discount the projected cash flows to net present values.

Based on the above assessment, the directors expect the carrying amount of goodwill to be recoverable and there is no impairment in value of the goodwill.

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

Goodwill (continued)

CGUs for Romania restaurant operations

The assessment of recoverability of the carrying amount of goodwill includes:

- forecasted projected cash flows for the next 5 years and projection of terminal value using the perpetuity method;
- growth rate of *0.1%* (2019 – *2.0%*); and
- use of *9.7%* (pre-tax) (2019 – *11.14%*) to discount the projected cash flows to net present values.

Based on the above assessment, the directors expect the carrying amount of goodwill to be recoverable and there is no impairment in value of the goodwill.

Fair value of investment properties

The group carries its investment properties at fair value, with changes in fair value being recognised in the statement of profit and loss.

During 2020, external market valuations were obtained for all of the property portfolio held by the group. These external valuations were based using the discounted cash flow technique using the applicable discount rate and market yields as disclosed in note 20.

Based on this assessment, the directors are of the opinion that the fair value determined is an appropriate estimate of the fair value at 31 December 2020.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment.

Inventories

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date.

Gozo Express Limited

During the year, the directors have assessed the carrying amount of goodwill on Gozo Express Limited, one of the group's direct investment. Following such assessment, it was decided to impair in full the carrying amount of goodwill on this operation as it was determined that this amount is no longer recoverable.

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

Estimating the incremental borrowing rate for leases

The group and the company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the lessor company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the lessor company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the group's stand-alone credit rating).

Determining the lease term of contracts with renewal and termination options – Group as lessee

The group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The group has lease contracts that include extension and termination options. The group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

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.

4. Initial application of International Financial Reporting Standards and International Financial Reporting Standards in issue but not yet effective

Initial application of International Financial Reporting Standards

In the current year, the group and the company have applied the following amendments:

Some accounting pronouncements which have become effective from 1 January 2020 and have therefore been adopted do not have a significant impact on the group's financial results or position. Accordingly, the group has made no changes to its accounting policies in 2020.

Other Standards and amendments that are effective for the first time in 2020 and could be applicable to the group are:

- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- Amendments to Refences to the Conceptual Framework (Various Standards)
- COVID-19 Rent Related Concessions (Amendments to IFRS 16)

Except as reported in the financial statements on matters relating to Covid-19 and the effects of concessions obtained through landlords and other government assistance, these amendments did not have other significant impacts on these financial statements and therefore no additional disclosures have been made.

International Reporting Standards in issue but not yet effective

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 and the company.

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

4. Initial application of International Financial Reporting Standards and International Financial Reporting Standards in issue but not yet effective

Consideration of the effects of Covid-19

In view of the developments pertaining to the Covid-19 pandemic that occurred during the current reporting period, the directors have prepared budgets and projections to assess the impact that the pandemic is, and might have on the profitability, liquidity and going concern of the company in the future.

The impact of these events on the general economy and on the industry in which the company operates is still unclear but results for the year ending 31 December could be impacted. As a countermeasure, the company has prepared budgets and cash flow projections for the coming financial year to enable it to swiftly take any necessary actions in order to compensate for adverse effects on its business. With the available projections in hand, 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 at that date.

All the necessary adjustments arising from the uncertainties brought about by the pandemic have been made in the current reporting period ended 31 December 2020.

5. Revenue

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

	Group		Holding company	
	2020	2019	**2020**	2019
	Eur	Eur	**Eur**	Eur
By activity:				
Logistic and transport services	**24,176,694**	17,278,867	**-**	-
Restaurant operations	**318,955,348**	341,280,746	**-**	-
Retail sales	**95,112,717**	91,232,838	**-**	-
Commercial sales	**21,259,609**	19,220,074	**-**	-
Rental income	**5,278,432**	6,546,694	**-**	-
Maintenance and support	**3,009,644**	3,084,602	**-**	-
Payment gateway services	**6,224,402**	4,931,529	**-**	-
Engineering services	**9,100,260**	6,991,959	**-**	-
Management fees	**120,000**	-	**2,400,000**	1,480,000
	483,237,106	490,567,309	**2,400,000**	1,480,000

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.

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

	2020	2019
Contract assets recognised	**1,854,760**	383,998

5. Revenue (continued)

Contract assets have increased significantly by the end of the current year. This arose mainly because during 2020, the group under the Harvest Technology Plc business, completed further project milestones in relation to a significant contract in Mauritius for the implementation of a border security Software Solutions. This gave rise to contract assets amounting to *Eur1,460,982* on work completed and still not invoiced by 31 December 2020. 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 2020 did not result in any material amount and considered by management to be insignificant.

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 2020 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 2020:

	2021 Eur	2022 Eur	2023 Eur	Later Eur
Commercial sales	427,057	168,057	-	-
Maintenance and support	3,058,218	1,423,036	1,189,175	29,384
Engineering services	526,932	263,466	-	-
Logistics and transport services	2,194,789	2,194,789	2,194,789	4,389,578
Revenue expected to be recognised	**6,206,996**	**4,049,348**	**3,383,964**	**4,418,962**

5. Revenue (continued)

Unsatisfied long-term performance obligations (continued)

The comparative information at 31 December 2019 was as follows:

	2020 Eur	2021 Eur	2022 Eur	Later Eur
Commercial sales	4,638,714	599,656	-	-
Maintenance and support	1,897,871	1,123,281	1,263,833	2,657,617
Engineering services	526,932	526,932	263,466	-
Revenue expected to be recognised	**7,063,517**	**2,249,869**	**1,527,299**	**2,657,617**

At the end of the current reporting period, included in the amounts of *Eur3,058,218* for maintenance and support that are expected to be recognised in 2021, *Eur1,563,022* pertain exclusively to revenue from the major overseas technology implementation project carried out by one of the group's subsidiary in collaboration with IBM in Mauritius

For unsatisfied performance obligations on maintenance and support contracts expected to be recognised in 2022 and 2023, included in the amounts shown in the above table at 31 December 2020, *Eur704,986* and *Eur705,820* respectively also pertain exclusively to the major overseas technology implementation project as aforementioned. The remaining amounts relate to normal local operations for this type of income.

Revenue for unsatisfied long term performance obligations in relation to commercial sales, comprise entirely of revenue tied to local contracts expected to be carried out in 2021 and 2022

At the end of the previous reporting period revenue from the commercial sales amounting to *Eur4,638,714* in 2020 and *Eur599,656* in 2021 along with revenue generated from maintenance and support amounting to *Eur657,858* in 2020 pertained to revenue estimated to be recognised from a major overseas technology implementation project initiated at the end of 2019 and carried out in collaboration with IBM. Most of the revenue expected to be recognised in 2020 on maintenance and support was invoiced according to expectations. In addition, at 31 December 2019, the revenue from maintenance and support expected to be recognised from 2020 onwards included revenue from normal local operations on maintenance contracts and as from 2021 onwards also on overseas maintenance contracts.

Revenue from engineering services amounting to *Eur526,932* in 2021 and *Eur263,466* in 2022 pertains to revenue estimated to be recognised in the Motherwell Bridge Limited group from various projects in Malta and overseas.

6. Other operating income

	Group		Holding company	
	2020	2019	**2020**	2019
	Eur	Eur	**Eur**	Eur
Other income	**2,838,940**	1,544,573	**174,035**	39,006
	2,838,940	1,544,573	**174,035**	39,006

7. Investment income

	Group		Holding company	
	2020	2019	**2020**	2019
	Eur	Eur	**Eur**	Eur
Interest income on bank deposits	**145,222**	216,332	**-**	-
Interest receivable on loan to other related company	**634,836**	185,487	**744,541**	415,259
Total interest income on financial assets not classified as at fair value through profit or loss	**780,058**	401,819	**744,541**	415,259
Other interest receivable	**46,680**	48,573	**-**	17,929
Dividends from equity instruments	**-**	-	**9,715,288**	20,000,062
Share of profit of associate	**421,513**	246,028	**-**	-
Share of profit of joint ventures	**57,835**	107,557	**-**	-
Fair value movements during the year	**-**	192,526	**-**	-
Gain on waiver of loans	**-**	-	**761,044**	-
Interest income from related parties	**23,933**	271,241	**-**	-
Gain on disposal of shares in a subsidiary of the group	**200,000**	5,881,742	**-**	-
Gain on derivative financial instruments	**5,430**	87,946	**-**	-
Increase in fair value of property held for sale	**-**	1,418,787	**-**	-
Increase in fair value of investment property	**1,910,477**	1,329,852	**-**	-
	3,445,926	9,986,071	**11,220,873**	20,433,250

8. Investment losses

	Group		Holding company	
	2020	2019	**2020**	2019
	Eur	Eur	**Eur**	Eur
Impairment losses on goodwill	**831,582**	3,789,388	**-**	-
Fair value movement of investment properties	**574,851**	343,817	**-**	-
Fair value movements during the year	**1,603**	-	**-**	-
Acquisition related costs	**232,922**	-	**-**	-
Loss on disposal of a subsidiary with the group	**-**	58,363	**-**	-
Impairment of intagible and other assets	**411,553**	-		
Impairment losses on investments in subsidiaries	**-**	-	**1,411,250**	-
Impairment losses on loans and receivables	**-**	-	**305,000**	1,300,000
Loss on disposal of assets	**-**	5,612	**-**	-
Loss on disposal of investment property	**-**	23,700	**-**	-
	2,052,511	4,220,880	**1,716,250**	1,300,000

9. Finance costs

	Group		Holding company	
	2020	2019	**2020**	2019
	Eur	Eur	**Eur**	Eur
Interest on bank overdrafts and loans	**3,202,219**	3,825,213	**448,515**	565,635
Interest on bonds	**10,518,512**	8,527,830	**-**	-
Processing fees and other interest payable	**1,043,094**	544,386	**-**	-
Interest on amounts payable to related undertakings	**148,103**	100,924	**5,945,644**	3,769,434
Unrealised exchange differences	**757,719**	85,680	**-**	-
Loss on derivative financial intstrument	**220,723**	262,061	**-**	-
Amortisation of bond issue expenses	**422,299**	345,876	**171,110**	94,684
Interest on leased assets	**3,162,885**	2,958,932	**130,520**	100,002
Interest paid to parent	**-**	51,043	**-**	-
	19,475,554	16,701,945	**6,695,789**	4,529,755

10. Profit before tax

A list of expenses by nature making up the cost of sales, selling expenses and administrative expenses of the group and holding company is set out below:

	Group		Holding company	
	2020	2019	**2020**	2019
	Eur	Eur	**Eur**	Eur
Raw materials and consumables used	**102,881,300**	110,841,557	**-**	-
Cost of sales in relation to products sold and services provided	**97,068,489**	105,293,648	**-**	-
Advertising, promotion and other distribution costs	**20,096,522**	21,496,098	**6,652**	10,937
Amortisation of intangible assets	**1,750,862**	1,775,277	**32,072**	39,312
Depreciation of property, plant and equipment	**16,771,412**	14,647,757	**85,215**	77,551
Depreciation of right-of-use assets	**11,412,748**	10,787,375	**400,591**	297,364
Legal, professional fees and accountancy fees	**5,650,455**	5,507,390	**617,542**	452,825
Office and general expenses	**4,318,267**	4,944,758	**159,184**	91,157
Travelling costs	**2,664,763**	5,636,779	**42,228**	258,809
Wages and salaries and staff welfare	**103,366,570**	109,115,911	**2,062,130**	2,843,430
Rental expenses	**2,967,756**	4,864,065	**-**	(47,757)
Utilities and telecommunication expenses	**9,448,127**	10,156,997	**37,608**	43,179
Royalties	**19,064,488**	20,854,363	**-**	-
Repairs and maintenance	**5,702,567**	6,071,163	**92,643**	94,111
Operating supplies	**10,397,689**	9,470,992	**-**	-
Other direct costs	**13,027,277**	7,220,774	**-**	-
Insurance costs	**1,025,379**	763,448	**75,381**	58,984
Other indirect costs	**21,089,805**	4,761,816	**553,724**	881,404
	448,704,476	454,210,168	**4,164,970**	5,101,306

10. Profit before tax (continued)

Operating profit / (loss) is stated after charging/ (crediting) the following:

	Group		Holding company	
	2020	2019	**2020**	2019
	Eur	Eur	**Eur**	Eur
Net exchange differences	**759,626**	762,911	**-**	-
Depreciation and amortisation	**18,522,274**	16,423,034	**117,287**	116,863
Depreciation of right-of-use assets	**11,412,748**	10,787,375	**400,591**	297,364
Gain on disposal of property, plant and equipment	**299,062**	372,766	**-**	-
Impairment losses recognised on financial assets	**-**	-	**305,000**	1,300,000
Impairment losses on investments in subsidiaries	**-**	-	**1,411,250**	-

The analysis of the amounts that are payable to the auditors and that are required to be disclosed is 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 *Eur208,684* (2019 – *Eur190,909*) and the remuneration payable to the other auditors in respect of the audits of the undertakings included in the consolidated financial statements amounted to *Eur248,767* (2019 – *Eur259,069*). Other fees payable to the parent company's auditors for tax services and for non-audit services other than tax services amounted to *Eur94,949* (2019 – *Eur23,617)*.

Holding company

Total remuneration payable to the parent company's auditors for the audit of the company's financial statements amounted to *Eur2,800 (*2019 – *Eur2,600)*. Other fees payable to the parent company's auditors for non-audit services other than other assurance services and tax advisory services amounted to *Eur1,500 (*2019 – *Eur1,000)*.

11. Key management personnel compensation

	Group		Holding company	
	2020	2019	**2020**	2019
	Eur	Eur	**Eur**	Eur
Directors' compensation:				
Hili Ventures Limited	**290,077**	178,664	**290,077**	178,664
Directors' compensation of other divisions				
Premier Capital plc	**756,557**	662,235	**-**	-
1923 Investments plc	**1,883,340**	1,590,147	**-**	-
Hili Properties plc	**189,947**	176,289	**-**	-
Hili Finance plc	**27,000**	27,108	**-**	-
Cobalt Ltd	**10,879**	30,000	**-**	-
Gozo Express Ltd	**-**	70,512	**-**	-
Motherwell Bridge Industries Limited	**12,000**	24,000	**-**	-
	2,879,723	2,580,291	**-**	-
Other key management compensation:				
Hili Ventures Limited	**899,334**	1,478,500	**899,334**	1,478,500
Premier Capital plc	**773,782**	654,336	**-**	-
1923 Investments plc	**354,708**	637,892	**-**	-
Hili Properties plc	**71,369**	43,898	**-**	-
Motherwell Bridge Industries Limited	**461,963**	409,877	**-**	-
	2,561,156	3,224,503	**899,334**	1,478,500
Total directors' fees and other key management personnel	**5,730,956**	5,983,458	**1,189,411**	1,657,164

12. Staff costs and employee information

	Group		Holding company	
	2020	2019	**2020**	2019
	Eur	Eur	**Eur**	Eur
Staff costs:				
Wages and salaries	**93,607,723**	99,023,469	**1,963,083**	2,509,753
Social security costs	**9,758,847**	10,092,442	**99,047**	155,013
	103,366,570	109,115,911	**2,062,130**	2,664,766

The average number of persons employed during the period, including executive directors, was made up as follows:

	Group		Holding company	
	2020	2019	**2020**	2019
Operations	**9,122**	9,120	**-**	-
Administration	**434**	417	**47**	38
	9,556	9,537	**47**	38

Share based payments

On 24 October 2016, 1923 Investments plc. division entered into a share option agreement by virtue of which a maximum of 10% of the issued shares in one of the Group's subsidiaries were granted as share options to one senior officer of the Group. The options under this scheme vested immediately.

The arrangement allowed the option holder to purchase one ordinary share having a nominal value of *Eur1.00* per share at a subscription price of *Eur1.36* 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 1923 Investments plc to its subsidiary.

12. Staff costs and employee information (continued)

Share based payments (continued)

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:

	Number of 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**
Outstanding at 1 January 2018	1,109,622
Shares transferred in 2018	(14,705)
Outstanding at 1 December 2018	**1,094,917**
Outstanding at 1 January 2019	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	Eur 0.141
Exercise price at grant date (Eur)	Eur 1.36
Exercisable from / to	24 October 2016 / 23 October 2024

There was no further effect on the statement of profits or loss and other comprehensive income and statement of financial position for the current and comparative periods since the options have been exercised in 2019.

13. Income tax expense/ (credit)

	Group		Holding company	
	2020	2019	**2020**	2019
	Eur	Eur	**Eur**	Eur
Current tax expense	**4,120,870**	5,331,664	**78,582**	7,172
Group surrender of losses	**-**	-	**-**	(497,419)
Deferred tax credit (note 29)	**(295,516)**	(1,444,715)	**(71,125)**	(141,637)
	3,825,354	3,886,949	**7,457**	(631,884)

13. Income tax expense (credit) (continued)

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

	Group		Holding company	
	2020	2019	**2020**	2019
	Eur	Eur	**Eur**	Eur
Profit before tax from continuing operations	**19,075,167**	26,476,616	**(1,217,899)**	11,021,195
Tax at the applicable rate of 35%	**6,676,308**	9,266,815	**426,265**	3,857,418
Tax effect of:				
Income subject to 15%	**(40,994)**	(168,620)	**-**	-
Amortisation of grant income	**-**	(1,319)	**-**	-
Adjustment for local tax credits	**(13,903)**	-	**-**	-
Movement in fair value of investment property not charged to tax	**(1,064,832)**	(1,363,452)	**-**	-
Different tax rates of subsidiaries operating in other jurisdictions	**(2,995,304)**	(872,058)	**-**	-
Witholding tax on dividends	**(360,619)**	-	**-**	-
Income not chargeable to tax	**(5,575,270)**	(11,853,447)	**-**	-
Maintenance allowance	**(66,973)**	(63,264)	**-**	-
Effect of reduction in foreign tax rates	**(109,307)**	-	**-**	-
Disallowed impairment of loan	**600,688**	455,000	**600,688**	455,000
Disallowable expenses	**7,288,387**	6,976,554	**2,300,856**	2,048,276
Untaxed dividend	**-**	-	**(3,045,123)**	(7,000,001)
FRFTC nullifying tax charge on FIA Income	**(8,413)**	**-**	**(8,413)**	**-**
Other differences	**57,876**	-	**-**	-
Deferred tax movement not recognised	**(131,840)**	(120,458)	**-**	-
Deferred tax on revaluation of investment property	**380,199**	(1,182,078)	**-**	-
Permanent differences	**(120,092)**	390,395	**262**	270
Capital gains on disposal of shares	**(96,654)**	1,600,391	**-**	-
Loss on foreign investment	**-**	543,792	**-**	-
Unabsorbed tax losses	**11,178**	232,325	**-**	-
Deferred tax movement	**-**	(479)	**-**	-
Loss on discontinued operation	**-**	3,034	**-**	-
Waiver of amounts payable	**(850)**	-	**(267,216)**	-
Over provision of tax in prior year	**(618,803)**	22,634	**-**	-
Foreign Tax	**138**	7,153	**138**	7,153
Write off of foreign tax	**14,434**	14,031	**-**	-
Income tax expense / (credit)	**3,825,354**	3,886,949	**7,457**	(631,884)

14. Dividends

In respect of the current year no dividend was declared to ordinary shareholders (2019: nil).

Preference dividends of *Eur4,651,200* were declared during the year (2019 – *Eur9,651,200); Eur0.07* per preference share (2019 – *Eur0.14).*

15. Goodwill

At 01.01.2019	**79,725,756**
Impairment of goodwill	(3,789,388)
Acquisition of subsidiaries	1,008,263
Effect of exchange differences on the valuation of goodwill on foreign subsidiaries	91,180
At 31.12.2019	**77,035,811**
Impairment of goodwill	(831,582)
Acquisition of subsidiaries	14,354,059
Effect of exchange differences on the valuation of goodwill on foreign subsidiaries	(3,801,256)
At 31.12.2020	**86,757,032**

During the year the group impaired in full the carrying amount of goodwill in Gozo Express Limited amounting to *Eur831,582* which it had acquired on January 2019.

On 30 April 2020, the group acquired STS Marine Solutions business from Teekay Tankers Limited for a consideration of *Eur24,784,537* (USD 26,955,663) which resulted in a goodwill of *Eur14,354,059*.

During 2019 the group impaired in full the carrying amount of goodwill in one of its indirect subsidiaries that was operating in Romania amounting to *Eur289,388*.

In addition, the assessment of the recoverability of the carrying amount of goodwill performed during 2019 resulted in an impairment loss of *Eur3,500,000* arising on the logistics business.

During September 2019, the group acquired the entire share capital of CCFO Malta Limited, the goodwill arising on this transaction amounting to *Eur176,681*.

In addition, on January 2019, the group acquired the entire share capital of Gozo Express Limited, the goodwill arising on this transaction amounting to *Eur831,582*.

16. Intangible assets

Group

Included within intangible assets are acquired rights and franchisee fees with a carrying amount of *Eur2,276,543* (2019 – *Eur2,471,699*). These intangible assets are amortised over the term of the franchise agreements in place with Mc Donald's Corporation to operate the Mc Donald's brand in all markets. Generally, amortisation period will be twenty years.

Computer software for the group with a carrying amount of *Eur1,117,513* (2019 – *Eur1,133,784*) mainly relates to a new ERP system invested into by the Romania segment during the year and prior periods to improve the business operations and obtain efficiencies in reporting. The amortisation period is over five years.

Moreover, the support services licence owned by the group with a carrying amount of *Eur4,269,059* (2019 – *Eur4,878,935*) will be fully amortised within eight years, and relates to the licence paid to Mc Donald's Corporation to operate the Mc Donald's brand in the Baltic countries.

Intangible assets include separately identified intangible assets acquired during 2014 as part of the business combinations within the 1923 Investments plc. division and amounting to *Eur12,000,000* which have been recognised separately from goodwill. Intangible assets were adjusted downwards by *Eur733,025* (2019: adjusted upwards by *Eur99,422*) following the fluctuations of the Polish Zloty from the date of acquisition to the balance sheet date.

These intangible assets relate to:

• Apple Premium Reseller operations operating under the brand iSpot together with related contracts – *Eur10,132,245* (2019: *Eur10,853,223*). 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.

16. Intangible assets (continued)

• APCO's payment gateway system – *Eur1,000,000*. The useful life of this asset was considered to be finite due to possible technological obsolescence and is being amortised on a straight-line basis. Until 31 December 2014, the Group was amortising the intangible asset over 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 *Eur233,000* 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 *Eur89,855*.

The amortisation charge was included in administrative expenses.

Group	**Support services licence Eur**	**Acquired rights and franchise fee Eur**	**Computer software Eur**	**Other intangible assets Eur**	**Total Eur**
Cost					
At 01.01.2019	12,366,964	4,379,054	2,564,933	12,739,953	32,050,904
Additions	-	70,061	395,613	385,304	850,978
Eliminated on disposal	-	-	(11,161)	(114,141)	(125,302)
Additions on acquisition of subsidiary	-	-	-	400,000	400,000
Effect of foreign exchange	-	(61,588)	(36,362)	87,038	(10,912)
At 01.01.2020	**12,366,964**	**4,387,527**	**2,913,023**	**13,498,154**	**33,165,668**
Additions	-	131,235	496,709	649,597	1,277,541
Transfers between asset categories	-	-	4,953	-	4,953
Eliminated on disposal	-	(147,907)	(61,864)	(400,868)	(610,639)
Effect of foreign exchange	-	(46,056)	(29,394)	(731,543)	(806,993)
As at 31.12.2020	**12,366,964**	**4,324,799**	**3,323,427**	**13,015,340**	**33,030,530**
Amortisation					
At 01.01.2019	**6,801,852**	**1,640,987**	**1,269,074**	**633,202**	**10,345,115**
Provision for the year	618,351	295,386	453,121	408,419	1,775,277
Eliminated on disposal	-	-	(10,066)	(34,876)	(44,942)
Exchange differences	-	(20,545)	(15,632)	(12,215)	(48,392)
At 01.01.2020	**7,420,203**	**1,915,828**	**1,696,497**	**994,530**	**12,027,058**
Provision for the year	618,351	300,056	447,803	384,652	1,750,862
Transfers between asset categories	-	-	4,953	-	4,953
Eliminated on disposal	-	(147,906)	(61,864)	(80,868)	(290,638)
Exchange differences	-	(19,722)	(16,322)	1,603	(34,441)
At 31.12.2020	**8,038,554**	**2,048,256**	**2,071,067**	**1,299,917**	**13,457,794**
Carrying amount					
At 31.12.2019	**4,946,761**	**2,471,699**	**1,216,526**	**12,503,624**	**21,138,610**
At 31.12.2020	**4,328,410**	**2,276,543**	**1,252,360**	**11,715,423**	**19,572,736**

16. Intangible assets (continued)

Holding company	Computer software Eur
Cost	
At 01.01.2019	170,002
Additions	44,856
At 01.01.2020	214,858
Additions	87,829
At 31.12.2020	302,687
Amortisation	
At 01.01.2019	123,762
Provision for the year	39,312
At 01.01.2020	163,074
Provision for the year	32,072
At 31.12.2020	195,146
Carrying amount	
At 31.12.2019	51,784
At 31.12.2020	**107,541**

17. Property, plant and equipment.

Group	Land and buildings Eur	Plant and equipment Eur	Motor vehicles Eur	Furniture, fittings and other equipment Eur	Office equipment Eur	Other equipment Eur	Total Eur
Cost or valuation							
At 01.01.2019	**116,491,880**	**54,546,361**	**1,901,425**	**18,721,497**	**4,279,753**	**113,635**	**196,054,551**
Additions	10,691,999	10,338,215	298,081	2,637,904	719,496	10,617	24,696,312
Acquired during the year (note 34)	61,215,955	-	-	-	-	-	61,215,955
Taken over on acquisition of subsidiaries	-	-	528,221	73,740	-	53,348	655,309
Revaluation increase	7,182,520	-	-	-	-	-	7,182,520
Transfers between asset categories	7,475	(33,140)	-	29,022	-	(3,357)	-
Effect of foreign currency exchange differences	(1,001,965)	(911,786)	(32,250)	(12,680)	6,863	5,332	(1,946,486)
Disposals for the year	(1,025,097)	(2,146,964)	(411,508)	(1,375,535)	(526,371)	(115,075)	(5,600,550)
At 01.01.2020	**193,562,767**	**61,792,686**	**2,283,969**	**20,073,948**	**4,479,741**	**64,500**	**282,257,611**
Additions	9,248,830	6,375,649	516,651	1,855,629	632,048	4,083	18,632,890
Acquired on acquisition of subsidiaries	-	-	-	-	6,857,760	-	6,857,760
Revaluation increase	6,694,080	-	-	-	-	-	6,694,080
Transfers between asset categories	(4,887)	95,846	6,689	(84,330)	2,317	-	15,635
Effect of foreign currency exchange differences	(1,113,207)	(784,234)	(44,237)	(224,013)	(1,143,884)	-	(3,309,575)
Disposals for the year	(1,453,734)	(1,499,282)	(776,879)	(1,699,003)	(630,430)	(65,694)	(6,125,022)
At 31.12.2020	**206,933,849**	**65,980,665**	**1,986,193**	**19,922,231**	**10,197,552**	**2,889**	**305,023,379**

17. Property, plant and equipment (continued)

Group	Land and buildings Eur	Plant and equipment Eur	Motor vehicles Eur	Furniture, fittings and other equipment Eur	Office equipment Eur	Other equipment Eur	Total Eur
At 01.01.2019	**28,199,071**	**25,536,715**	**965,613**	**13,461,786**	**3,020,081**	**111,542**	**71,294,808**
Provision for the year	4,835,199	5,563,840	328,149	3,215,302	693,286	11,981	14,647,757
Taken over on acquisition of subsidiaries	-	-	300,225	31,743	-	34,206	366,174
Revaluation increase	(601,980)	-	-	-	-	-	(601,980)
Impairment	-	15,159	5,267	-	-	-	20,426
Reversal of Impairment	-	(18,120)	-	-	-	-	(18,120)
Effect of foreign currency exchange differences	(148,895)	(543,575)	(13,019)	(7,497)	1,426	1,997	(709,563)
Released on disposal	(801,452)	(1,981,240)	(331,131)	(1,239,795)	(441,364)	(117,680)	(4,912,662)
Transfers between asset categories	(315)	(38,312)	-	38,627	-	-	-
At 01.01.2020	**31,481,628**	**28,534,467**	**1,255,104**	**15,500,166**	**3,273,429**	**42,046**	**80,086,840**
Provision for the year	6,220,317	6,127,294	343,268	3,454,687	621,901	3,945	16,771,412
Acquired on acquisition of subsidiaries	-	-	-	-	322,398	-	322,398
Revaluation increase	(415,115)	-	-	-	-	-	(415,115)
Effect of foreign currency exchange differences	(202,727)	(448,718)	(25,783)	(193,658)	(92,904)	-	(963,790)
Released on disposal	(1,330,184)	(1,372,988)	(512,390)	(1,510,585)	(464,568)	(47,949)	(5,238,664)
Transfers between asset categories	-	16,323	-	-	(688)	-	15,635
At 31.12.2020	**35,753,919**	**32,856,378**	**1,060,199**	**17,250,610**	**3,659,568**	**(1,958)**	**90,578,716**
Carrying amount							
At 31.12.2019	**162,081,139**	**33,258,219**	**1,028,865**	**4,573,782**	**1,206,312**	**22,454**	**202,170,771**
At 31.12.2020	**171,179,930**	**33,124,287**	**925,994**	**2,671,621**	**6,537,984**	**4,847**	**214,444,663**

Refer to note 20 regarding the revaluation of certain properties.

17. Property, plant and equipment (continued)

Holding company	**Furniture, fittings and other equipment**
	Eur
Cost	
At 01.01.2019	384,899
Additions	41,099
Disposals	(967)
At 01.01.2020	425,031
Additions	216,184
Disposals	(1,030)
At 31.12.2020	**640,185**
Accumulated Depreciation	
At 01.01.2019	210,122
Provision for the period	77,551
Disposals	(74)
At 01.01.2020	287,599
Provision for the period	85,215
Disposals	(298)
At 31.12.2020	**372,516**
Carrying amount	
At 31.12.2019	137,432
At 31.12.2020	**267,669**

18. Right-of-use asset

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

	Buildings Eur	Vehicles Eur	IT equipment Eur	Total Eur
Cost				
At 1 January 2019	-	-	-	-
Adjustment on transition to IFRS 16 at 1 January 2019	75,003,674	1,008,726	48,110	**76,060,510**
Additions	16,184,661	150,318	-	**16,334,979**
Exchange differences	(713,447)	-	-	**(713,447)**
At 1 January 2020	**90,474,888**	**1,159,044**	**48,110**	**91,682,042**
Additions	11,653,664	184,541	-	**11,838,205**
Disposals	(306,553)	(18,488)	-	**(325,041)**
Remeasurment	341,421	-	-	**341,421**
Termination of leases	-	(10,013)	-	**(10,013)**
Exchange differences	(1,364,615)	(643)	-	**(1,365,258)**
At 31 December 2020	**100,798,805**	**1,314,441**	**48,110**	**102,161,356**
Depreciation				
At 1 January 2019	-	-	-	-
Provision for the year	10,420,425	332,111	34,839	**10,787,375**
Exchange differences	(23,315)	-	-	**(23,315)**
At 1 January 2020	**10,397,110**	**332,111**	**34,839**	**10,764,060**
Provision for the year	11,080,382	321,803	10,564	**11,412,749**
Exchange differences	(271,020)	(257)	(2,314)	**(273,591)**
Released on disposal	(306,553)	(18,488)	-	**(325,041)**
At 31 December 2020	**20,899,919**	**635,169**	**43,089**	**21,578,177**
Carrying amount				
At 31 December 2019	80,077,778	826,933	13,271	80,917,982
At 31 December 2020	**79,898,886**	**679,272**	**5,021**	**80,583,179**

The depreciation charge on right-of-use assets is included in cost of sales and 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 19. Information about the accounting policy for the measurement and recognition of leases is disclosed in note 2.

The weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 upon initial recognition and during the previous year for additions made was 3.00-3.98%. Additions to right-of-use assets during the current reporting period have been recognised using a rate between 1.73% and 7.96%. The incremental borrowing rate will be re-assessed every time a new lease is entered into by the group and holding company and the corresponding right-of-use asset recognised. New leases are assessed on a case-by-case basis.

18. Right-of-use asset (continued)

Holding company:

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

	Total Eur
Gross carrying amount	
Adjustment on transition to IFRS 16 at 1 January 2019	2,896,631
At 1 January 2020	2,896,631
Additions	745,049
At 31 December 2020	**3,641,680**
Depreciation	
Provision for the year	297,364
At 1 January 2020	297,364
Provision for the year	400,591
At 31 December 2020	**697,955**
Carrying amount	
At 31 December 2019	2,599,267
At 31 December 2020	**2,943,725**

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

The company 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 19. Information about the transition to IFRS 16 and the respective policy for the measurement and recognition of leases are disclosed in notes 2 and 4 respectively.

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

The company has financed most of its obligations internally and has therefore not been subject to market fluctuations in the interest rate from its borrowings with third-parties. The company does not expect this rate to vary significantly in the foreseeable future.

19. Lease liabilities

The group has financed most of its obligations internally and has therefore not been subject to market fluctuations in the interest rate from its borrowings with third-parties. Except as disclosed in note 18, the group does not expect this rate to vary significantly in the foreseeable future.

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

	Group		Holding Company	
	2020	2019	2020	2019
	Eur	Eur	Eur	Eur
Current				
Lease Liability	9,472,161	11,110,972	315,036	239,524
Non-Current				
Lease Liability	74,882,726	71,947,549	2,779,167	2,423,546
	84,354,887	**83,058,521**	**3,094,203**	**2,663,070**

The group has leases for its buildings, motor vehicles and IT equipment. With the exception of short-term leases and leases of low value assets, each lease is included in the statement of financial position as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of company sales) are excluded from the initial measurement of the lease liability and asset. The group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see note 18).

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. The majority of the lease agreements entitle the group's subsidiaries to have the right of first refusal when such leases come up for renewal.

None of the lease agreements gives rights to the group's subsidiaries' to any purchase or escalation options, however restricting the same subsidiaries to further lease the properties to third parties. For leases over office buildings the group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the group must insure items of property, plant and equipment 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 - 9 years, whilst the range of the remaining lease term of the motor vehicles and IT equipment is 1 - 4 years.

19. Lease Liability (continued)

The company has leases for its office buildings, garage and car park spaces and motor vehicles. Each lease is included in the statement of financial position as a right-of-use asset and a lease liability. The company does not have any other short-term leases (leases with an effected term of 12 months or less), leases of low-value underlying assets and variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of company sales).

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

The remaining lease term of the buildings, garages and car park spaces is 8 years and the remaining lease term of the motor vehicle is 1 year.

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 December 2020 were as follows:

Group	**Within one year**	**Between one and 5 years**	**Over 5 years**	**Total**
	Eur	**Eur**	**Eur**	**Eur**
31 December 2020				
Lease Payments	12,925,217	38,693,375	62,106,254	**113,724,846**
Finance Charges	(3,453,056)	(9,338,426)	(16,578,477)	**(29,369,959)**
Net present values	**9,472,161**	**29,354,949**	**45,527,777**	**84,354,887**

	Within one year	**Between one and 5 years**	**Over 5 years**	**Total**
	Eur	**Eur**	**Eur**	**Eur**
31 December 2019				
Lease Payments	14,073,024	37,745,320	59,571,722	**111,390,066**
Finance Charges	(2,962,052)	(9,147,839)	(16,221,654)	**(28,331,545)**
Net present values	**11,110,972**	**28,597,481**	**43,350,068**	**83,058,521**

19. Lease Liability (continued)

Holding Company	Within one year	Between one and 5 years	Over 5 years	Total
	Eur	Eur	Eur	Eur
31 December 2020				
Lease Payments	430,924	2,235,378	957,992	**3,624,294**
Finance Charges	(115,888)	(375,895)	(38,308)	**(530,091)**
Net present values	**315,036**	**1,859,483**	**919,684**	**3,094,203**

	Within one year	Between one and 5 years	Over 5 years	Total
	Eur	Eur	Eur	Eur
31 December 2019				
Lease Payments	339,899	1,368,120	1,470,288	**3,178,307**
Finance Charges	(100,375)	(301,751)	(113,111)	**(515,237)**
Net present values	**239,524**	**1,066,369**	**1,357,177**	**2,663,070**

Lease payments not recognised as a liability

The group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

During 2020, two of the subsidiaries applied the practical expedient allowed in the amendment to IFRS 16 and accounted for Covid-19 related rent concessions as negative variable lease payments amounting to *Eur1,689,912*. The practical expedient was applied consistently to all rent concessions received as a direct impact of the Covid-19 pandemic. The subsidiaries assessed the impacted lease agreements and applied the practical expedient to those agreements with similar characteristics and similar circumstances. All conditions specified within the amendment to IFRS 16 were met for the application of the practical expedient.

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 purpose of IFRS 16. Payments made under short term lease are expected on a straight-line basis.

The group also leases certain properties in Poland whereby its 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.

19. Lease Liability (continued)

The expense relating to payments not included in the measurement of the lease liability is as follows:

Lease payments not recognised as a liability	**Group 2020 Eur**	Group 2019 Eur
Short-term leases	**241,629**	139,702
Leases of low value assets	**12,022**	12,108
Variable lease payments	**3,737,132**	4,504,931
	3,990,783	4,656,741

20. Investment property

	Group Total Eur
At 01.01.2019	**79,654,109**
Additions	975,887
Disposals	(11,840,851)
Increase in fair value (note 7)	1,329,852
Decrease in fair value (note 8)	(343,817)
Other reclasification movements (note 21)	2,300,000
Reclassified from properties held for sale (note 24)	205,374
Acquired through business combination	324,530
At 31.12.2019	**72,605,084**
Additions	121,198
Disposed upon sale of subsidiary (note 35)	(1,600,000)
Increase in fair value (note 7)	1,910,477
Decrease in fair value (note 8)	(574,851)
Reclassified to properties held for sale (note 24)	(7,735,151)
At 31.12.2020	**64,726,757**

The fair value of the group's properties classified as investment properties (*Eur64,726,757*) and property, plant and equipment (*Eur40,796,918*) have been arrived at using a combination of internal and external valuations.

During 2020, external market valuations were obtained for all the property portfolio. At the reporting date the directors re-assessed the fair values of these properties and were of the opinion that their fair value had not altered significantly since the external valuations were performed in 2020.

In estimating the fair value of the property, the highest and best use of the property is its current use.

20. Investment property (continued)

Investment properties are classified as Level 3.

All the properties located in the Baltics amounting to *Eur37,055,241*, classified as IP amounting to *Eur24,395,241* and PPE amounting to *Eur12,660,000* (2019: *Eur45,987,192*, classified as IP amounting to *Eur33,777,592* and PPE amounting to *Eur12,209,600*) and the investment property located in Romania amounting to *Eur29,910,000* (2019: *Eur29,580,000*) and PPE amounting to *Eur 7,683,918* (2019: *Eur6,302,787)* are classified as retail/commercial properties. The remaining properties are located in Malta.

The levels in the fair value hierarchy have been defined in note 40. The group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

The fair value of the properties at 31 December 2020 classified as IP amounting to *Eur64,726,757* and PPE amounting to *Eur40,796,918* has been arrived at on the basis of internal assessments to reflect market conditions at the end of the reporting period. These internal assessments also considered independent external valuations obtained for all the group's properties during previous years.

Valuation techniques and inputs

For the fair value of the investment properties located in Malta, which were valued externally, the valuation was determined based on comparable methods. The significant unobservable inputs were the rental yields and rental rates per square metre being derived from the properties.

20. Investment property (continued)

	Range of significant unobservable inputs	
	Discount rate	Growth rate
	%	%
2020- Malta	**7**	0.5-2.8
2020- Romania	**7.88-9.28**	1.72-2.03
2020- Baltics	**7.33-9.36**	0.7-3.00
2019- Malta	7	0.10-2.76
2019- Romania	7.88-9.28	1.72-2.03
2019- Baltics	7.48-9.91	1.72-3.00

For each valuation for which rental value and capitalisation rate have been determined to be the significant unobservable inputs, the higher the rental value and the lower the capitalisation rate, the higher the fair value. Conversely, the lower the rental value and the higher the capitalisation rate, the lower the fair value. A reasonable change in the unobservable inputs is not expected to result in a material change in the value of the property.

Operating leases, the Group as a lessor

Operating leases relate to the investment property owned by the group with lease terms of between 1 to 20 years. The lessee does not have an option to purchase the property at the expiry of the lease period. The rental income earned under operating leases during the year amounted to *Eur5,278,432 (*2019 *Eur6,546,694)*. Included in rental income, the group does not have any contingent rents.

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

Group	**2020**	2019
	Eur	Eur
Within one year	**5,062,084**	5,150,088
Between one and five years	**15,655,114**	16,387,200
After five years	**17,375,122**	17,600,875
	38,092,320	39,138,163

21. Financial assets

(a) Investments in subsidiaries

Details of the company's subsidiaries at 31 December 2020 are as follows:

Carrying amount	Eur
At 01.01.2019	133,760,646
Additions	2,982,000
Reclassification from other financial assets	1,198
At 01.01.2020	136,743,844
Additions	64,278,751
Impairment of investment in subsidiaries	(1,412,448)
At 31.12.2020	**199,610,147**

In 2019, included in the additions during the year, are amounts of Eur2,000,000 in HV Hospitality Ltd and Eur982,000 in Gozo Express Services Ltd.

In 2020, included in the additions during the year, are amounts of Eur1,192,000 in Hili Properties plc, Eur59,540,000 in HV Hospitality Ltd and Eur404,251 in Gozo Express Services Ltd. Also included in additions for 2020 and the balance at 31 December 2020, are amounts of Eur2,560,000 in 1923 Investments p.l.c., and Eur582,500 in Motherwell Bridge Industries Ltd comprising loans earmarked for capitalisation during 2021. The loan to 1923 Investments p.l.c. is interest free while the loan to Motherwell Bridge Industries Ltd carries interest at 4.5% per annum. The impairment of the investment in subsidiaries comprise an impairment of Eur1,411,250 in Gozo Express Services Ltd and Eur1,198 in Harbour Holdings Ltd.

Cobalt Leasing Limited, a direct subsidiary of Hili Venture Limited, is exempt from the UK Companies Act 2006 relating to the audit of their individual accounting by virtue of section 479A of the act, whereby this company has guaranteed the subsidiary company.

21. Financial assets (continued)

(a)Investments in subsidiaries (continued)

Details of the company's subsidiaries at 31 December 2020 and 2019 are as follows:

Name of subsidiary	Place of incorporation and ownership	Proportion of ownership interest 2020/2019 %		Portion of voting power Holding held 2020/2019 %	Principal activity
1923 Investments plc	Malta	100 (100)	Direct	100 (100)	Holding Company
Harvest Technology plc	Malta	62.99 (62.99)	Indirect	62.99 (62.99)	Holding Company
PTL Limited	Malta	62.99 (62.99)	Indirect	62.99 (62.99)	Sale of IT solutions and security systems
APCO Limited	Malta	62.99 (62.99)	Indirect	62.99 (62.99)	Sale of IT solutions and security systems
APCO Systems Limited	Malta	62.99 (62.99)	Indirect	62.99 (62.99)	Sale of IT solutions and security systems
iSpot Poland SP. Z O.O	Poland	100 (100)	Indirect	100 (100)	Sale of retail and IT solutions
SAD SP. Z O.O	Poland	100 (100)	Indirect	100 (100)	Sale of retail ans IT solutions
iSpot Premium Romania	Romania	100 (100)	Indirect	100 (100)	Sale of retail and IT solutions
Ipsyon Limited	Malta	62.99 (62.99)	Indirect	62.99 (62.99)	Holding of intellectual property
Hili Logistics Limited	Malta	100 (100)	Indirect	100 (100)	Holding Company

21. Financial assets (continued)

(a)Investments in subsidiaries (continued)

Name of subsidiary	Place of incorporation and ownership	Proportion of ownership interest 2020/2019 %		Portion of voting power Holding held 2020/2019 %	Principal activity
Carmelo Caruana Company Limited	Malta	100 (100)	Indirect	100 (100)	Shipping agent and freight fowarders
Carmelo Caruana Freeport Operations Ltd (merged with Carmelo Caruana Company Ltd)	Malta	N/A (100)	Indirect	N/A (100)	Transhipment and cross-storekeeping
Global Parcels Limited (merged with Carmelo Caruana Company Ltd)	Malta	N/A (100)	Indirect	N/A (100)	Parcel delivery service
CCFO Malta Limited (merged with Carmelo Caruana Company Ltd)	Malta	N/A (100)	Indirect	N/A (100)	Warehourse Services
Allcom Sp. zoo	Poland	100 (100)	Indirect	100 (100)	Shipping and Freight forwarding
STS Support Services BVI	British Virgin Island	100 (100)	Indirect	100 (100)	Ship to ship transfer of oil products
STS Marine Solutions Limited	Jersey	100 (N/A)	Indirect	100 (N/A)	Holding Company
Carmelo Caruana Marine Solutions Ltd	UK	100 (N/A)	Indirect	100 (N/A)	Holding Company
STS Marine Solutions Ltd	UK	100 (N/A)	Indirect	100 (N/A)	Backoffice services
STS Marine Solutions (Bermuda) Limited	Bermuda	100 (N/A)	Indirect	100 (N/A)	Ship to ship operations
SPT Marine Transfer services	Bermuda	100 (N/A)	Indirect	100 (N/A)	Terminal management
Guardian L.L.C	Marshall Island	100 (N/A)	Indirect	100 (N/A)	Operation of vessel
Premier Capital plc	Malta	100 (100)	Direct	100 (100)	Holding Company
SIA Premier Restaurants Latvia	Latvia	99.99(99.99)	Indirect	99.99 (99.99)	Operated McDonald's restaurants in Latvia
AS Premier Restaurants Eesti	Estonia	100 (100)	Indirect	100 (100)	Operated McDonald's restaurants in Estonia
Premier Restaurants UAB	Lithuania	99.99 (99.99)	Indirect	99.99 (99.99)	Operated McDonald's restaurants in Lithuania
Premier Restaurants Malta Limited	Malta	100 (100)	Indirect	100 (100)	Operated McDonald's restaurants in Malta
Arcades Limited	Malta	100 (100)	Indirect	100 (100)	Operated McDonald's restaurants in Malta

21. Financial assets (continued)

(a)Investments in subsidiaries (continued)

Name of subsidiary	Place of incorporation and ownership	Proportion of ownership interest 2020/2019 %		Portion of voting power Holding held 2020/2019 %	Principal activity
Premier Arcades Limited	Malta	100 (100)	Indirect	100 (100)	Holding Company
Premier Capital B.V	Netherlands	100 (100)	Indirect	100 (100)	Holding Company
Premier Capital Hellas S.A.	Greece	100 (100)	Indirect	100 (100)	Operated McDonald's restaurants in Greece
Premier Restaurants Romania Srl	Romania	100 (90)	Indirect	100 (90)	Operated McDonald's restaurants in Romania
Premier Capital Srl	Romania	100 (90)	Indirect	100 (90)	Holding Company
Premier Capital Delaware Inc	United States	100 (90)	Indirect	100 (100)	Holding Company
Hili Properties plc	Malta	100 (100)	Direct	100 (100)	Holding Company
Hili Estates Holdings Limited	Malta	95 (95)	Indirect	95 (95)	Holding Company
Hili Estates Limited	Malta	95 (95)	Indirect	95 (95)	Hold and rent immovable property
Premier Estates Limited	Malta	95 (95)	Indirect	95 (95)	Hold and rent immovable property
Hili properties B.V	Netherlands	100 (100)	Indirect	100 (100)	Holding Company
OU Premier Estates Eesti	Estonia	100 (100)	Indirect	100 (100)	Hold and rent immovable property
SIA "Premier Estates Ltd"	Latvia	100 (100)	Indirect	100 (100)	Hold and rent immovable property
Premier Estates Lietuva UAB	Lithuania	100 (100)	Indirect	100 (100)	Hold and rent immovable property
Tukuma Projekts SIA	Latvia	Nil (100)	Indirect	Nil (100)	Hold and rent immovable property
Apex Investments SIA	Latvia	100 (100)	Indirect	100 (100)	Hold and rent immovable property
Hili Premier Estates Romania Srl	Romania	100 (100)	Indirect	100 (100)	Hold and rent immovable property
SIA Tirdzniecìbas centrs Dole	Latvia	100 (100)	Indirect	100 (100)	Hold and rent immovable property

21. Financial assets (continued)

(a) Investments in subsidiaries (continued)

Name of subsidiary	Place of incorporation and ownership	Proportion of ownership interest 2020/2019 %	Holding	Portion of voting power held 2020/2019 %	Principal activity
Premier Assets SRL	Romania	100 (100)	Indirect	100 (100)	Hold and rent immovable property
Motherwell Bridge Industries Limted	Malta	80 (80)	Direct	80 (80)	Erection, refurbishment of container handling equipment
Motherwell Bridge Projects Ltd (merged with Motherwell Bridge Industries Ltd)	Malta	N/A (80)	Indirect	N/A (80)	Dormant
Techniplus S.A.	Morocco	80 (80)	Indirect	80 (80)	Crane and port services
HV Hospitality Ltd	Malta	100 (100)	Direct	100 (100)	Holding Company
Kemmuna Ltd	Malta	100 (100)	Indirect	100 (100)	Hotel Operations
Gozo Express Services Ltd	Malta	100 (100)	Direct	100 (100)	Parcel delivery service
Professional Courier Services Ltd	Malta	100 (100)	Direct	100 (100)	Parcel delivery service
Hili Finance Company plc	Malta	100 (100)	Direct	100 (100)	Finance Provider
Cobalt Leasing Ltd	UK	100 (100)	Direct	100 (100)	Container Leasing

21. Financial assets (continued)

(a) Investments in subsidiaries (continued)

The registered addresses of the company's indirect subsidiaries at 31 December 2020 and 2019 are as follows:

Indirect Subsidiaries

Name of subsidiary	Registered office
PTL Limited	Nineteen Twenty-Three, Valletta Road, Marsa, MRS 3000 Malta
Harvest Technology plc	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
iSpot Premium Romania	1st District, 246 B Floreasca street, Shopping Centre Promenada, first floor Unit no. 1F-055, Bucharest, Romania
SAD SP. Z O.O	UL. Pulawska 2, 02-566 Warsaw, Poland
Ipsyon Ltd	Nineteen Twenty-Three, Valletta Road, Marsa, MRS 3000 Malta
Professional Courier Services Ltd	Nineteen Twenty-Three, Valletta Road, Marsa, MRS 3000 Malta
Techniplus S.A	Zone Chantier Naval du port de Casablanca, Almohades Boulevard, Casablanca, Morocco
Arcades Limited	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta
AS Premier Restaurants Eesti	Ahtri tn 12, 6. korrus, Tallinn linn, Harju maakond, 10151, Estonia
Premier Arcades Limited	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta
Premier Capital B.V.	Strawinskylaan 3127, 8th floor, 1007 ZX Amsterdam,The Netherlands
Premier Capital Delaware Inc	2711 Centerville Road, Suite 400,Wilmington, Delaware 19808,United States
Premier Capital Hellas S.A.	59, Al. Panagouli Street,15343 Agia Paraskevi, Athens,Greece
Kemmuna Ltd	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta
Premier Capital SRL	4-8 Nicolae Titulescu Avenue, America House Building, West Wing, 5th Floor,011141 Bucharest, Romania
Premier Restaurants Malta Limited	Nineteen Twenty-Three, Valletta Road, Marsa, MRS 3000 Malta
Premier Restaurants Romania SRL	4-8 Nicolae Titulescu Avenue, West Wing, 5th Floor, 011141 Bucharest, Romania
Premier Restaurants Latvia SIA	6, Duntes Street, Riga LV-1013, Latvia
Premier Restaurants, UAB	Tumeno g. 4, Vilnius, LT-01109, Lithuania
Hili Estates Holdings Limited	Nineteen Twenty-Three, Valletta Road, Marsa, MRS 3000 Malta
Hili Estates Limited	Nineteen Twenty-Three, Valletta Road, Marsa, MRS 3000 Malta
Premier Estates Limited	Nineteen Twenty-Three, Valletta Road, Marsa, MRS 3000 Malta
Hili Properties BV	Strawinskylaan 3127,1077x2, Amsterdam, Netherlands
Premier Estates Eesti OÜ	Eesti, Mustamäe tee 16, Tallinn linn, Harju maakond, 1061

21. Financial assets (continued)

(a) Investments in subsidiaries (continued)

Indirect Subsidiaries (continued)

Name of subsidiary	Registered office
Premier Estates Ltd SIA	Duntes street 6, Riga, LV – 1013, Latvia
Premier Estates Lietuva UAB	Konstitucijos ave. 7, LT-09308, Vilnius, the Republic of Lithuania
Tukuma Projekts SIA	Citadeles 12, Riga LV-1, Latvia
Apex Investments SIA	Citadeles 12, Riga LV-1, Latvia
Hili Premier Estates Romania SRL	43, Bulevardul Aviatorilor, 011853 Bucharest, Romania
Premier Assets SRL	Municipiul Bucuresti, Bucuresti, Sos. Nicolae Titulescu, 4-8, Romania
SIA Tirdzniecibas centrs Dole	Audēju iela 16, Riga, LV-1050, Latvia
Carmelo Caruana Freeport Operations Limited (merged with Carmelo Caruana company Limited)	Nineteen Twenty-Three, Valletta Road, Marsa, MRS 3000 Malta
Global Parcels Limited (merged with Carmelo Caruana Company Limited)	Nineteen Twenty-Three, Valletta Road, Marsa, MRS 3000 Malta
iSpot Poland Sp. Z o.o.	ul. Pailawska 2, 02-566 Warsaw, Poland
Allcom Sp. z o.o.	ul. Mariacka 9, 81-383 Gdynia, Poland
Hili Logistics Ltd	Nineteen Twenty-Three, Valletta Road, Marsa, MRS 3000 Malta
CCFO Malta Limited (merged with Carmelo Caruana Company Limited)	Nineteen Twenty-Three, Valletta Road, Marsa, MRS 3000 Malta
Carmelo Caruana Company Limited	Nineteen Twenty-Three, Valletta Road, Marsa, MRS 3000 Malta
Motherwell Bridge Projects Limited (merged with Motherwell Bridge Industries Limited)	Nineteen Twenty-Three, Valletta Road, Marsa, MRS 3000 Malta
STS Marine Solutions (UK) Limited	1, The Cloisters, Sunderland, Type & Wear, United Kingdom, SR2 7BD
Carmelo Caruana Marine Solutions Limited	c/o Squire Patton Boggs (UK) LLP (Ref: Csu), Rutland House, 148 Edwund Street, Birmingham B3 2JR
STS Marine Solutions Limited	PO Box 536, 13-14, Esplanade, St.Helier, Jersey JE4 5UR
STS Marine Solutions (Bermuda) Limited	Appleby, Canon`s Court, 22 Victoria Street, Hamilton, Bermuda, HM 12
SPT Marine Transfer Services Limited	Appleby, Canon`s Court, 22 Victoria Street, Hamilton, Bermuda, HM 12
STS Support Services BVI	Moreno & Asvat (BVI) Limited, Palm Chamber, 197 Main Street, P.O.Box 3174, Road Town Tortola, British Virgin Island
Guardian L.L.C	Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, MH96960, Marshall Island

21. Financial assets (continued)

(b) Non-controlling interest

The table below shows details of non-wholly owned subsidiaries of the group that have non-controlling interests:

Name of group company	Registered address	Proportion of ownership interests and voting rights held by non-controlling interests		Profit / (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2020	2019	**2020**	2019	**2020**	2019
		%	%	**Eur**	Eur	**Eur**	Eur
Premier Capital SRL	4-8 Nicolae Titulescu Avenue, America House Building, West Wing, 5th Floor, 011141 Bucharest, Romania	**0**	10	**(7,956)**	(19,618)	**-**	(2,946,305)
Premier Restaurants Romania SRL	4-8 Nicolae Titulescu Avenue, America House Building, West Wing, 5th Floor, 011141 Bucharest, Romania	**0**	10	**219,822**	2,361,277	**-**	7,780,272
Premier Capital Delaware Inc	2711 Centerville Road, Suite 400, Wilmington, Delaware 19808, United States	**0**	10	**43**	993	**-**	(72,692)
Vramonds B.V.	Stawinskylaan 3127, 1077 ZX Amsteram, The Netherlands	**0.00%**	0.00%	**-**	-	**-**	(66,394)
Non controlling interest in Hili Properties plc				**112,416**	206,543	**395,105**	514,354
Non controlling interest in 1923 investments plc				**1,034,584**	103,986	**4,294,132**	3,835,897
Non controlling interest in Motherwell Bridge Industries				**189,190**	148,151	**270,396**	100,919
Harbour Holdings Ltd				**(1,531)**	-	**865,906**	868,061
				1,546,568	2,801,332	**5,825,539**	10,014,112

21. Financial assets (continued)

(b) Non-controlling interest (continued)

During 2020 the group acquired the 10% non-controlling interest for an amount of *Eur11,489,000*. Accumulated non-controlling interest and movement in reserves allocated to non-controlling interest up to acquisition date, were reversed in equity. Summarised financial information in respect of each of the group's subsidiaries that has material non-controlling interests is set out below.

Premier Capital SRL

	31-May-20 Eur	31-Dec-19 Eur
Current assets	**9,396,572**	9,586,684
Non-current assets	**63,772,955**	63,772,955
Current liabilities	**(14,880,367)**	(15,063,017)
Non-current liabilities	**-**	-
Equity attributable to owners of the Company	**61,247,039**	61,242,927
Non-controlling interests	**(2,957,879)**	(2,946,305)

	31-May-20 Eur	31-Dec-19 Eur
Revenue	**-**	18,550,384
Expenses	**(15,324)**	(196,181)
Profit / (loss) for the period / year	**(79,563)**	18,354,203
Profit attributable to owners of the holding company	**(71,607)**	18,373,821
Loss attributable to owners of the non-controlling interests	**(7,956)**	(19,618)
Profit / (loss) for the period / year	**(79,563)**	18,354,203
Other comprehensive (expense) / income attributable to owners of the holding company	**64,891**	(46,084)
Other comprehensive expense attributable to the non-controlling interests	**7,210**	(15,232)
Other comprehensive income/(expense) for the period / year	**72,101**	(61,316)
Total comprehensive (expense) / income attributable to owners of the holding company	**(6,716)**	18,327,737
Total comprehensive expense attributable to the non-controlling interests	**(746)**	(34,850)
Total comprehensive (expense) / income for the year	**(7,462)**	18,292,887
Dividends paid to non-controlling interests	**-**	2,207,320
Net cash inflow from operating activities	**47,600**	17,939,117
Net cash outflow from investing activities	**(185,707)**	(681,449)
Net cash outflow from financing activities	**-**	(17,957,337)
Net cash outflow	**(138,107)**	(699,669)

21. Financial assets (continued)

(b) Non-controlling interest (continued)

Premier Restaurants Romania SRL

	31-May-20 Eur	31-Dec-19 Eur
Current assets	**18,060,875**	16,790,287
Non-current assets	**89,453,473**	94,055,768
Current liabilities	**(29,394,020)**	(30,895,191)
Non-current liabilities	**(31,408,115)**	(34,814,033)
Equity attributable to owners of the Company	**46,712,213**	37,356,559
Non-controlling interests	**7,937,793**	7,780,272

	31-May-20 Eur	31-Dec-19 Eur
Revenue	**64,712,646**	194,236,801
Expenses	**(62,223,933)**	(169,565,364)
Profit for the period / year	**2,198,219**	23,612,767
Profit attributable to owners of the holding company	**1,978,397**	21,251,490
Profit attributable to owners of the non-controlling interests	**219,822**	2,361,277
Profit for the period / year	**2,198,219**	23,612,767
Other comprehensive expense attributable to owners of the holding company	**(560,536)**	(5,581,231)
Other comprehensive income attributable to the non-controlling interests	**(62,301)**	507,385
Other comprehensive income for the period / year	**(622,837)**	(5,073,846)
Total comprehensive income attributable to owners of the holding company	**1,417,861**	15,670,259
Total comprehensive income attributable to the non-controlling interests	**157,521**	2,868,662
Total comprehensive income for the period / year	**1,575,382**	18,538,921
Net cash inflow from operating activities	**6,691,724**	34,367,471
Net cash outflow from investing activities	**(1,815,993)**	(11,649,797)
Net cash outflow from financing activities	**(4,695,183)**	(26,842,927)
Net cash inflow / (outflow)	**180,548**	(4,125,253)

21. Financial assets (continued)

(c) Investments in associates

The investment in associate is indirectly owned through 1923 Investments plc, through Hili Logistics Limited as follows:

	Proportion of ownership interest	Capital and reserves as at 31 December		Profit for the year ended 31 December	
	2020 and 2019	**2020**	2019	**2020**	2019
	%	**Eur**	Eur	**Eur**	Eur
CMA CGM Agency Malta Limited	49	**1,017,538**	557,309	**860,230**	506,890

The net accumulated interest in the net assets of CMA CGM Agency Malta Limited amount to *Eur496,191* as at 31 December 2020 (2019: *Eur270,678*).

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

21. Financial assets (continued)

(d) Investments in joint ventures

The investments Hili Salomone Company Limited and iCentre Hungary Kft are indirectly owned through Harvest Technology Limited. 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 a merger. 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:

	Group	
	2020	2019
	Eur	Eur
Carrying amount of the asset	965,831	907,996
Group's share of total profit / total comprehensive income	57,835	107,557

21. Financial assets (continued)

(d) Investments in joint ventures (continued)

Included in the investment in joint ventures, is an investment of *Eur965,831* (2019: *Eur907,996*) pertaining to the investment in iCentre Hungary Kft. A summary of the financial information of this joint venture is set out below:

	Group	
	2020	2019
	Eur	Eur
Current assets	3,387,094	4,608,615
Non-current liabilities	620,243	637,285
Current liabilities	(3,102,035)	(4,344,741)
Net assets	905,302	901,159
Revenue	11,611,346	14,590,518
Expenses	(11,495,676)	(14,375,404)
Profit for the year (net of tax)	115,670	215,114
Group's share of total profit/ total comprehensive income	57,835	107,557

(e) Other investments

	Group	
	2020	2019
	Eur	Eur
As at January	50,000	75,000
Reclassification on full acquisition of a subsidiary	-	(25,000)
As at December	50,000	50,000

During 2017, an indirect investment of *Eur50,000* has been made in Thought3D Ltd through one of the subsidiaries of 1923 Investments plc. corresponding to 4% of this investment's share capital.

During 2018, the group incurred professional fees related to its investment in a new subsidiary, Gozo Express services Ltd.

During 2019, the group acquired the entire share capital of this company which became a 100% owned subsidiary.

21. Financial assets (continued)

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

Group
Financial assets

	Local listed debt Eur	Local listed equity Eur	Total Eur
At 01.01.2019	727,090	129,177	**856,267**
Decrease in fair value for the year	(20,240)	(15,883)	**(36,123)**
At 01.01.2020	706,850	113,294	**820,144**
Decrease in fair value for the year	(6,650)	(15,225)	**(21,875)**
At 31.12.2020	**700,200**	**98,069**	**798,269**

The carrying amount of financial assets amounting to *Eur798,269* (2019 - E*ur820,144*) represents investments amounting to *Eur700,200* (2019 - *Eur706,850*) in 4% - 5.5% local listed corporate bonds and investments amounting to *Eur98,069* (2019 - *Eur113,294*) in local listed equities. Decrease in fair value recognised through other comprehensive income as at 31 December 2020 amounted to *Eur21,875 (*2019 - *Eur36,123)*.

21. Financial assets (continued)

(g) Loans and receivables

	Loans to related parties Eur
2019	
Amortised cost	
At 31.12.2019	25,272,545
Less: amounts expected to be settled within 12 months (shown under current assets)	(22,455,135)
Amount expected to be settled after 12 months	2,817,410
2020	
Amortised cost	
At 31.12.2020	**22,634,553**
Less: amounts expected to be settled within 12 months (shown under current assets)	**(8,297,028)**
Amount expected to be settled after 12 months	**14,337,525**

The terms and conditions of the above loans are disclosed in note 36.

21. Financial assets (continued)

(g) Loans and receivables (continued)

Loans to related parties of *Eur14,337,525* (2019 – *Eur2,817,410*) have no fixed date for repayment and are not expected to be realised within twelve months after the end of the reporting period.

Though the remaining loans amounting to *Eur8,297,028* (2019- *Eur22,455,135*) have no fixed date for repayment, they are expected to be realised within twelve months after the reporting period. These amounts are unsecured and interest free.

Holding company	Loans to shareholders Eur	Loans to subsidiaries Eur	Loans to related parties Eur	Total Eur
2019				
Amortised cost	**12,511,130**	**70,367,386**	**292,451**	83,170,967
At 31.12.2019				
Less: amounts expected to be settled within 12 months (shown under current assets)	(12,511,130)	(10,798,517)	(292,451)	(23,602,098)
Amounts expected to be settled after 12 months	-	59,568,869	-	59,568,869
2020				
Amortised cost	**15,719,439**	**3,237,444**	**1,549,090**	**20,505,973**
At 31.12.2020				
Less: amounts expected to be settled within 12 months (shown under current assets)	**(3,933,787)**	**(3,237,444)**	**(843,769)**	**(8,015,000)**
Amounts expected to be settled after 12 months	**11,785,652**	**-**	**705,321**	**12,490,973**

The terms and conditions of the above loans are disclosed in note 36. The loans to subsidiaries bear intereat at 4.5% (*2019 – 4.5%*) whilst the remaining loans are unsecured and interest free. *Eur515,374* (2019- *Eur1,793,135*) of the loans have no fixed date for repayment and are not expected to be realised within twelve months after the reporting period.

21. Financial assets (continued)

(h) Deposit on acquisition of investment

On 25 August 2015, Hili Properties plc entered into a promise of share purchase agreement whereby it undertook to accept, purchase and acquire, 100% shareholding in Harbour (APM) Investments Limited for the sum of *Eur25,000,000*. Harbour (APM) Investments Limited is the company that owns the land at Benghajsa measuring circa 92,000m2. In 2015, a 50% deposit was paid. In 2017, *Eur12,000,000* of the remaining balance was settled, *Eur5,000,000* of which was settled in cash and *Eur7,000,000* was settled pursuant to an assignment of debt to Hili Ventures Limited and subsequently capitalised in the share capital of Hili Properties p.l.c.

Both Hili Properties p.l.c. and the vendor have the unilateral and unconditional right to rescind the agreement, in which case the deposit already paid of *Eur24,500,000* becomes repayable on the demand back to Hili Properties p.l.c. At the end of the reporting period, the agreement was expected to be executed by the year 2022.

There were no further deposits on acquisition of investments in 2019. A value of *Eur2,300,000* as at end of 2018 attributable to a deposit on the purchase of a land plot located in Riga, Latvia by Hili Properties plc was fully executed once the acquisition was completed on 18 January 2019. The amount was reclassified as investment property as disclosed in note 20.

22. Inventories

	Group		Holding company	
	2020	2019	**2020**	2019
	Eur	Eur	**Eur**	Eur
Contracts in progress	**821,626**	1,652,606	**-**	-
Finished goods and goods held for resale	**8,953,311**	10,013,066	**-**	-
Raw materials and consumables	**7,938,849**	7,374,526	**-**	-
	17,713,786	19,040,198	**-**	-

The amount of inventories recognised as an expense during the year amounted to *Eur199,949,789* (2019: *Eur216,135,205*).

Write-downs of inventories recognised in the statement of profit or loss and other comprehensive income during the year amounted to *Eur347,915* (2019: *Eur82,378*) and are included with cost of sales.

23. Trade and other receivables

	Group		Holding company	
	2020	2019	**2020**	2019
	Eur	Eur	**Eur**	Eur
Trade receivables	**11,814,542**	12,431,818	**-**	-
Other receivables	**7,229,169**	3,945,238	**751,791**	328,343
Prepayments and accrued income	**6,448,081**	8,848,473	**134,106**	75,989
	25,491,792	25,225,529	**885,897**	404,332
Less: amount due for settlement within 12 months (shown under current assets)	**(23,508,164)**	(22,929,828)	**(885,897)**	(404,332)
	1,983,628	2,295,701	**-**	-

No interest is charged on trade and other receivables.

Allowance for estimated irrecoverable amounts

Trade and other receivables of the company are stated net of an impairment provision for expected credit losses from non-performing receivables amounting to *Eur1,830,563* (2019 – *Eur1,720,634)*. Movements in impairment provisions are included with administrative expenses.

24. Property held for sale

	Group	
	2020	**2019**
	Eur	**Eur**
Fair Value		
At 1 January	**3,774,413**	6,477,700
Increase in fair value (note 7)	**-**	1,418,787
	3,774,413	7,896,487
Disposals	**(3,774,413)**	(3,916,700)
Reclassified from / (to) investment property	**7,735,151**	(205,374)
At 31 December	**7,735,151**	3,774,413

Properties held for sale are investment properties earmarked for sale. Properties held for sale at 31 December 2019 and at 31 December 2020 are classified as non-current. The properties held for sale at 31 December 2019 were disposed of during 2020.

25. Trade and other payables

	Group		Holding company	
	2020	2019	**2020**	2019
	Eur	Eur	**Eur**	Eur
Trade payables	**30,821,252**	34,420,180	**88,966**	249,330
Other payables	**19,293,156**	16,551,639	**134,576**	185,845
Accruals and deferred income	**16,173,953**	18,382,653	**622,637**	749,255
	66,288,361	69,354,472	**846,179**	1,184,430
Less: amount due for settlement within 12 months (shown under current liabilities)	**(65,696,714)**	(68,412,629)	**(846,179)**	(1,184,430)
Amount due for settlement after 12 months	**591,647**	941,843	**-**	-

No interest is charged on trade and other payables.

26. Bank loans and overdrafts

	Group		Holding company	
	2020	2019	**2020**	2019
	Eur	Eur	**Eur**	Eur
Bank overdrafts	**5,707,055**	6,793,527	**-**	-
Bank loans	**88,786,617**	79,902,244	**12,929,054**	15,129,511
	94,493,672	86,695,771	**12,929,054**	15,129,511
Less: amount due for settlement within 12 months (shown under current liabilities)	**(22,621,664)**	(18,517,432)	**(2,241,554)**	(2,208,084)
Amount due for settlement after 12 months	**71,872,008**	68,178,339	**10,687,500**	12,921,427

26. Bank loans and overdrafts (continued)

Bank loans and overdrafts are payable as follows:

	Group		Holding company	
	2020	2019	**2020**	2019
	Eur	Eur	**Eur**	Eur
On demand or within one year	**22,621,662**	18,517,432	**2,241,554**	2,208,084
In the second year	**10,799,061**	14,364,707	**687,500**	2,222,538
In the third year	**31,199,710**	8,195,020	**10,000,000**	698,889
In the fourth year	**5,236,407**	21,047,513	**-**	10,000,000
In the fifth year	**5,130,622**	9,080,589	**-**	-
After five years	**19,506,210**	15,490,510	**-**	-
	94,493,672	86,695,771	**12,929,054**	15,129,511

Group

The group's bank loans and overdraft facilities bear effective interest at the rates of 3.25% to 5.65% (2019 – 3.25% to 5.65% The facilities are secured by a hypothecs over the assets of the group, guarantees provided by group and related parties, personal guarantees given by the directors of the company and a pledge over rent receivable from the company's tenants.

Details of bank loans by division are as follows:

Premier Capital plc.

During 2017, a new bank facility was granted by BRD – SG to Premier Restaurants Romania SRL. The loan is denominated in local currency RON, for an amount equivalent to *Eur5,755,084* as at 31 December 2020 (31 December 2019 - *Eur10,521,077)*. The facility has a term of five years and bears an interest rate of 3-month ROBOR +2.75%. The loan is secured by a pledge over the entity's immovable and movable property. During 2020, an additional drawdown from the same facility was made for an amount equivalent to *Eur15,248,285* as at 31 December 2020. The facility has a term of seven years and bears an interest rate of 3-month ROBOR +1.4% per annum. The loan is secured by a pledge over the entity's immovable and movable property.

In December 2018, Premier Restaurants Latvia SIA secured a loan facility with Luminor Bank AS amounting to *Eur10,000,000.* The loan has a term of five years and bears an interest rate of 1-month Euribor +2.50%. The loan is secured by a pledge agreement between the bank and the Baltic subsidiaries together with pledges over the entities' immovable and movable property. As at the end of the reporting period, the balance on the loan amounted to *Eur7,864,704* (2019 – *Eur8,698,551).*

26. Bank loans and overdrafts (continued)

Premier Capital plc (continued)

During 2020, Premier Capital Hellas S.A. availed itself from the Covid-19 Lending Initiatives put into place by the Greek State. It has been granted two bond loan facilities with Eurobank S.A. and the Hellenic Development Bank S.A. for the financing of working capital requirements. As at the end of the reporting period, the balance of these loan facilities amounted to *Eur2,000,000*. Both facilities have a term of five years and bear interest at 6-month Euribor +2.2%. Eighty percent of the nominal value of both facilities are guaranteed by the Greek State.

Another facility was granted to Premier Capital Hellas S.A. by Eurobank S.A. with a balance of *Eur1,350,000* as at the end of the reporting period. The facility has a term of five years and bears interest at 3-month Euribor + 3.85%. An overdraft facility with a limit of *Eur400,000* was also granted by Eurobank S.A. and bears interest at 8.55% over the bank's base rate, presently 0.60% per annum. The overdraft facility has been fully utilised as at the end of the reporting period. Both facility and overdraft are secured by a letter of comfort issued by the subsidiary company.

Premier Restaurants Malta Limited, a subsidiary of the group, has an unutilised overdraft facility with a limit of *Eur1,000,000* (2019 – *Eur1,000,000*) and bearing interest at 250 basis point over the bank's base rate, presently 2.35% (2019 - 2.35%) per annum.

Hili Properties plc

The group's bank loans facilities bear effective interest at the rates of 3.25% to 4.85% p.a. The group's bank borrowings facilities amount to *Eur40,840,920* (2019: *Eur45,353,105)*. The facilities are secured by special hypothecs over the investment property of the group, a general hypothec over the assets of the group, guarantees provided by other related party and a pledge over rent receivable from the company's tenants.

Included in loans falling due within one year is an amount of approximately *Eur1,800,000* which was due for repayment in 2021. After balance sheet date this loan was refinanced and consequently the said amount will be due for payment after more than one year.

1923 Investments plc.

The bank loan amounting to *Eur200,000* as at 31 December 2019 which bore an interest rate of 3.5% per annum, was repaid in full during 2020. It was 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 *Eur380,000*.

26. Bank loans and overdrafts (continued)

1923 Investments plc. (continued)

Another subsidiary of the group had a facility of *USD 1,000,000.* The company utilised *Eur739,456*. At 31 December 2020, the outstanding loan from this facility amounted to *Eur292,197*. The loan bears interest of 2.5% per annum over 3-month LIBOR and is secured by a first general hypothec over the company's assets and a guarantee by the parent company. The loan was fully repaid by the end of January 2021.

Harvest Technology p.l.c. has three overdraft facilities in two of its subsidiaries. One of the overdraft facilities bears interest at 4.85% per annum and is secured by a second general hypothec over the one of the subsidiaries' assets. The other overdraft facility available to the same subsidiary bears interest at 5.5% per annum and is unsecured. The group has another bank overdraft in another subsidiary which bears interest at 3.5% per annum and is secured by a first general hypothec over the assets of that subsidiary.

During 2020, 1923 Investments p.l.c. obtained a loan with a local bank for *Eur2,250,000*. At 31 December 2020, the balance of the loan amounted to *Eur2,106,373* and included with the balance of bank loans above. The loan is payable by quarterly installments of *Eur91,045*, bears interest at 3.75% plus 3-month Euribor per annum and repayable in full within seven years of drawdown. This loan is unsecured and ranks with priority to all other general creditors of 1923 Investments plc.

The group's overdraft facilities in Malta bear effective interest at a floating rate of 5.09% (2019: 5.14%) 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 for Allcom Sp. z o.o. bears variable interest rate of 1.7% (2019: 3.13%) per annum. It is secured on the bank guarantee issued by Bank Gospodarstwa Krajowego from de minimis support.

The group's banking facilities for iSpot Poland Sp. z.o.o. includes an overdraft facility of *PLN 8,000,000* (*Eur1,754,501*) and Import Loan facilities of *PLN 25,000,000* (*Eur5,482,817*) and a receivable financing of *PLN 3,000,000* (*Eur657,938*).

The above facilities are secured by Hold Cover of *Eur3,500,000* and corporate guarantees provided in favour of the suppliers of Apple products for an amount of *PLN 72,000,000* (*Eur15,790,513*). Included within the *PLN 72,000,000* there is *PLN 6,000,000* guarantee line for rental payment of store outlets up to one year. The above facilities are guaranteed by:

26. Bank loans and overdrafts (continued)

1923 Investments plc. (continued)

- Hili Ventures *PLN 94,500,000* (*Eur20,725,048*);
- 1923 Investments p.l.c. *PLN 49,500,000* (*Eur10,855,977*); and
- SAD Sp. z o.o. *PLN 49,500,000* (*Eur10,855,977*).

Motherwell Bridge Industries (MBI)

The bank overdrafts bear interest at 3.25 % - 5.65% (2019: 3.25% - 5.65%) per annum and were secured by a general hypothec over MBI's assets, guarantees given by the MBI's parent and related companies and a personal guarantee given by a director of MBI. The bank borrowing facilities amounted to *Eur1,520,000* (2019- *Eur1,520,000*). MBI did not have any bank loans at the end of the current and prior reporting period.

Holding company
The current obligation of the company to pay *Eur2,241,554 (2019- Eur2,208,084)* within one year includes three loan facilities with HSBC Malta plc.

Hili Ventures Ltd had three fully withdrawn loans facilities amounting to *Eur12,929,054* with HSBC Bank Malta. The loans bore an adjusted interest rate of 3-month EURIBOR +3.25% and are secured by a general hypothecary guarantee over all the assets of the company and by general and special hypothecary guarantees from one of its shareholders.

In December 2018, Hili Ventures Ltd secured a new loan facility with HSBC Malta amounting to *Eur10,000,000* and bears an adjusted interest rate of 3-month EURIBOR +3.25%. The loan is secured by a general hypothecary guarantee over all the assets of the company and by general guarantees over the same amount by a shareholder of the company and by one of its subsidiaries.

27. Other financial liabilities

	Group		Holding company	
	2020	2019	**2020**	2019
	Eur	Eur	**Eur**	Eur
Amounts owed to group undertakings	**-**	-	**136,128,281**	134,598,449
Other loans	**891,302**	8,639,664	**277,059**	-
Amounts owed to related undertakings	**1,721,802**	1,973,573	**-**	-
Amounts owed to Joint ventures	**155,716**	155,716	**-**	-
Amounts owed to shareholders	**-**	1,272,376	**-**	-
Derviative financial liability held for trading	**456,358**	422,559	**-**	-
	3,225,178	12,463,888	**136,405,340**	134,598,449
Less: amount due for settlement within 12 months (shown as current liabilities)	**(891,302)**	(7,938,819)	**(9,816,476)**	(14,256,794)
Amount due for settlement after 12 months	**2,333,876**	4,525,069	**126,588,864**	120,341,655

27. Other financial liabilities (continued)

Group

The terms and conditions of amounts due to group undertakings and other related parties are disclosed in note 36.

Amounts owed to related undertakings include Eur*1,721,802* (2019 – *Eur1,721,802*) that carries interest at the rate of 5% per annum and is repayable by 31 December 2022.

Other amounts due to related companies and the other loans are interest free.

Derivative financial instruments amounting to *Eur456,358* (2019 – *Eur422,559*) comprise of interest rate swaps whereby subsidiaries of the group enter into a contract to swap the floating rate on bank borrowings to a fixed rate and classified with non-current liabilities. These agreements have been entered into by subsidiaries of the company, through the shareholding of Premier Capital plc and Hili Properties plc. Details of derivative financial instruments are as follows:

- Derivative financial instruments of Premier Capital plc amounting to *Eur349,358* (2019 – *Eur218,237*) comprise of interest rate swaps whereby subsidiaries of the group enter into a contract to swap the floating rate on bank borrowings (note 26) to a fixed rate. The derivative financial instrument with a value of *Eur16,383* (2019 - *Eur22,225*) represents an interest rate swap entered into on May 2017 by Premier Restaurants Romania SRL whilst the derivative financial instruments with a value of *Eur164,993* (2019 – *Eur196,012*) represents an interest rate swap entered into on December 2018 by Premier Restaurants Latvia SIA. In September 2020, Premier Restaurants Romania SRL entered into another interest rate swap covering the additional bank barrowings (note 26), which as at 31 December 2021 the value amounted to *Eur167,982*. The interest rate swap is stated at fair value and is classified with financial liabilities classified as held for trading. The amount of *Eur349,358* (2019 – *Eur218,237*) is classified with non-current liabilities.
- The notional principal amount of the outstanding interest rate swap at the end of the reporting period for Premier Restaurants Romania SRL amounted to *Eur2,935,269* (2019 - *Eur5,383,090*) for the swap maturing on 21 January 2022 and *Eur7,624,143* for the swap maturing on 03 July 2025 whilst for Premier Restaurants Latvia SIA amounted to *Eur7,499,976* (2019 - *Eur8,749,988*) and the swap matures on 19 October 2023.
- At the end of the reporting period, the fixed interest rate on interest rate swap for Premier Restaurants Romania SRL amounted to *2.55% - 2.75%* (2019 – *2.75%*) with the floating rate being three month ROBOR, whilst for Premier Restaurants Latvia SIA the fixed interest rate amounts to 0.45% (2019 - *0.45%*) with the floating rate being one-month EURIBOR. The interest rate swap settles on a quarterly basis for Premier Restaurants Romania SRL and on a monthly basis for Premier Restaurants Latvia SIA. These subsidiaries settle the difference between the fixed and floating interest rates on a net basis.

27. Other financial liabilities (continued)

- Hili Properties plc derivative financial instruments of *Eur107,000* (2019 – *Eur – Eur204,322*) comprise an interest rate swap whereby one of the subsidiaries of the group had entered into on 22 June 2017 a contract to swap the floating rate on bank borrowings (note 26) to a fixed rate. The interest rate swap is stated at fair value and is classified with financial liabilities classified as held for trading. The amount of *Eur107,000* (2019 – *Eur204,322*) is classified with non- current liabilities. The notional principal amounts of the outstanding interest rate swaps at the end of the reporting period amounted to *Eur17,611,015* and the swap matures on the 21 June 2022. At the end of the reporting period, the fixed interest rates on interest rate swaps amount to 0.14% (2019- *0.14%*). The floating rate is EURIBOR3M (2019- EURIBOR3M). The interest rate swaps settle on a quarterly basis and the group settles the difference between the fixed and floating interest rates on a net basis.

Holding company

The terms and conditions of amounts due to group undertakings are as follows :

- Amounts of *Eur6,595,630* (2019 – *Eur9,500,000*) that bear interest at 4.5% per annum, and are repayable by the 31st of December, 2021.
- Amounts of *Eur3,220,846* (2019 – *Eur4,756,794*) that bear interest no interest, and are repayable by the 31st of December, 2021.
- An amount of *Eur41,930,958* (2019 – *Eur41,930,958*) that bears interest at 4.5% per annum, and is repayable by the 30th June, 2028.
- An amount of *Eur80,000,000* (2019 – *Eur80,000,000*) that bears interest at 4.5% per annum, and is repayable by the 4th September, 2029.
- An amount of *Eur550,000* (2019 – *Nil*) that bears interest at 4.5% per annum, and is repayable by the 31st December, 2025.
- An amount of *Eur1,225,136* (2019 – *Nil*) that bears no interest and is repayable by the 31st December, 2025.
- An amount of *Eur23,904* (2019 – *Nil*) that bears no interest and is repayable by the 31st December, 2025.
- An amount of *Eur4,000,000* (2019 – *Nil*) that bears interest at 4.5% per annum, and is repayable by the 31st December, 2025.
- An amount of *Eur277,059* (2019 – *Nil*) that bears interest at 3% per annum, and is repayable by the 9th March, 2022.
- Included in amounts owed to group undertakings is an amount of *Eur1,418,193* (2019 – *Eur1,589,303*) comprising of bond issue costs which are being amortised over a period of 10 years until 24th July 2028 and 27th August 2029 respectively.

In 2019 and 2020, there were no amounts owed by the company to its shareholders.

28. Contract liabilities

The amounts recognised as contract liabilities will utilised within the next reporting period.

	Group		Holding company	
	2020	2019	**2020**	2019
	Eur	Eur	**Eur**	Eur
Deferred service income	**1,383,949**	2,397,231	**-**	-

Deferred service income represent customer payments received or due in advance of performance (contract liabilities) that are expected to be recognised as revenue in 2021. As described in note 2, 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 group may occasionally have projects for consultancy and development of IT systems that span over more than 12 months. Deferred service income on development maintenance, servicing and support at 31 December 2020 amounts to *Eur1,223,725* (2019: *Eur2,260,411*).

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. This amounted to *Eur88,518* at 31 December 2020 (2019: *Eur109,999*).

Deferred service income on licences amounting to *Eur71,706* at 31 December 2020 (2019: *Eur26,821*) is expected to be recognised as revenue in 2021.

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

With the exception of an amount of *Eur238,833* in deferred service income on maintenance and support still not yet recognised as revenue at 31 December 2020 and included with the balance of deferred income at 31 December 2019, the remaining deferred service income at the end of the previous reporting period was recognised as revenue during the current year.

The correspondence amount of deferred service income on maintenance and support still not recognised as revenue at 31 December 2019 and included with the balance at 31 December 2018 amounted to *Eur388,430*.

29. Deferred taxation

Group	Opening balance	Recognised in profit or loss	Recognised in other comprehensive income	Closing balance
Deferred tax liability	**Eur**	**Eur**	**Eur**	**Eur**
2020				
Arising on:				
Investment property	2,557,284	620,154	-	**3,177,438**
Provisions	75,377	55,533	-	**130,910**
Temporary difference on trade receivables	(195,142)	-	-	**(195,142)**
Intangible asset	1,742,410	(199,824)	-	**1,542,586**
Property, plant and equipment	350,848	10,760	2,909,560	**3,271,168**
Other temporary differences	679,143	(242,644)	-	**436,499**
Unutilised capital losses	291,455	-	-	**291,455**
	5,501,375	**243,979**	**2,909,560**	**8,654,914**
Deferred tax asset				
Arising on:				
Property, plant and equipment	(1,156,923)	(322,989)	-	**(1,479,912)**
Unutilised capital losses	(357,177)	(22,030)	-	**(379,207)**
Unabsorbed capital allowances	(163,877)	98,310	-	**(65,567)**
Unutilised tax losses	(168,812)	(45,734)	-	**(214,546)**
Provision for bad debts	(281,166)	-	-	**(281,166)**
Unutilised tax credits	(2,042)	-	-	**(2,042)**
Accelerated tax depreciation	291,777	-	-	**291,777**
Provision for liabilities	(373,534)	(339,679)	-	**(713,213)**
Other temporary differences	(910,851)	92,627	-	**(818,224)**
Temporary differences on non current assets	(1,867)	-	-	**(1,867)**
Investment property	(47,701)	-	-	**(47,701)**
	(3,172,173)	**(539,495)**	**-**	**(3,711,668)**
	2,329,202	**(295,516)**	**2,909,560**	**4,943,246**

29. Deferred taxation (continued)

Group

Deferred tax liability	Opening balance Eur	Recognised in profit or loss Eur	De-recognised on disposal of a subsidiary Eur	Closing balance Eur
2019				
Arising on:				
Investment property	3,478,852	(921,568)	-	**2,557,284**
Provisions	-	75,377	-	**75,377**
Temporary difference on trade receivables	(195,142)	-	-	**(195,142)**
Intangible asset	1,963,412	(221,002)	-	**1,742,410**
equipment	285,347	65,501	-	**350,848**
Other temporary differences	651,765	27,378	-	**679,143**
Unutilised capital losses	291,455	-	-	**291,455**
	6,475,689	**(974,314)**	**-**	**5,501,375**
Deferred tax asset				
Arising on:				
equipment	(1,056,044)	(98,293)	(2,586)	**(1,156,923)**
Unutilised capital losses	(295,687)	(78,122)	16,632	**(357,177)**
allowances	(115,108)	(48,769)	-	**(163,877)**
Unutilised tax losses	(329,407)	160,595	-	**(168,812)**
Provision for bad debts	(281,166)	-	-	**(281,166)**
Unutilised tax credits	(2,042)	-	-	**(2,042)**
Accelerated tax depreciation	291,777	-	-	**291,777**
Provision for liabilities	(187,193)	(186,341)	-	**(373,534)**
Other temporary differences	(691,380)	(219,471)	-	**(910,851)**
Temporary differences on non current assets	(1,867)	-	-	**(1,867)**
Investment property	(47,701)	-	-	**(47,701)**
	(2,715,818)	**(470,401)**	**14,046**	**(3,172,173)**
	3,759,871	**(1,444,715)**	**14,046**	**2,329,202**

29. Deferred taxation (continued)

Holding company

	Opening balances Eur	Recognised in Profit and Loss Eur	Closing balance Eur
2020			
Arising on:			
Other temporary differences	**258,498**	**71,125**	**329,623**
2019			
Arising on:			
Other temporary differences	116,861	141,637	258,498

30. Debt securities in issue

	Group **2020** **Eur**	2019 Eur
3.85% unsecured bonds redeemable 2028 *(Hili Finance Ltd)*	**39,334,542**	39,269,214
3.80% unsecured bonds redeemable 2029 *(Hili Finance Ltd)*	**79,247,265**	79,141,483
3.75% unsecured bonds redeemable 2026 *(Premier Capital plc)*	**64,445,856**	64,352,198
5.1% unsecured bonds redeemable 2024 *(1923 Investments plc)*	**35,677,368**	35,596,464
4.5% unsecured bonds redeemable 2025 *(Hili Properties plc)*	**36,632,828**	36,556,201
	255,337,859	254,915,560

Hili Finance p.l.c.

In July 2018, the company issued *Eur40,000,000* 3.85% unsecured bonds of a nominal value of *Eur100* per bond. Unless previously re-purchased or cancelled, the bonds are redeemable at their nominal value on 24th July 2028.

The bonds are listed on the Official List of the Malta Stock Exchange. The carrying amount of the bonds is *Eur40,000,000*. The market value of debt securities on the last day before the statement of financial position date was *Eur40,000,000*.

30. Debt securities in issue (continued)

Hili Finance Plc. (continued)

Interest is repayable on the 24th July of each year at the rate of 3.85% per annum, payable annually in arrears on each interest payment date.

Transaction costs of *Eur653,301* (*Eur472,343* paid out of bond proceeds and *Eur180,958* paid out of company's funds) directly related to the bond issuance were recharged and borne by the parent company Hili Ventures Ltd.

Furthermore, in August 2019, the company issued *Eur80,000,000* 3.80% unsecured bonds of a nominal value of *Eur100* per bond. Unless previously re-purchased or cancelled, the bonds are redeemable at their nominal value on 27th August 2029.

The bonds are listed on the Official List of the Malta Stock Exchange. The carrying amount of the bonds is *Eur80,000,000*. The market value of debt securities on the last day before the statement of financial position date was *Eur79,200,000*.

Interest is repayable on the 27th August of each year at the rate of 3.80% per annum, payable annually in arrears on each interest payment date.

Transaction costs of *Eur1,057,907* (*Eur755,333* paid out of bond proceeds and *Eur302,574* paid out of company's funds) directly related to the bond issuance were recharged and borne by Hili Ventures Ltd.

Both of the bonds are guaranteed by Hili Ventures Limited.

Premier Capital Plc.

In November 2016, the holding company issued *650,000* 3.75% unsecured bonds of a nominal value of *Eur100* per bond. The bonds are redeemable at their nominal value on 23 November 2026.

Interest on the bonds is due and payable annually on 23 November of each year. The bonds are listed on the Official List of the Malta Stock Exchange. The carrying amount of the 3.75% bonds is net of direct issue costs of *Eur554,144* (2019 – *Eur647,802*) 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 *Eur65,325,000* (2019 - *Eur67,925,000*).

30. Debt securities in issue (continued)

1923 Investments Plc.

In December 2014, 1923 Investments Plc. issued 360,000 5.1% unsecured bonds of a nominal value of *Eur100* per bond. The bonds are redeemable at their nominal value on 4 December 2024.

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

The bonds are listed on the Official List of the Malta Stock Exchange. The carrying amount of the bonds is net of direct issue costs of *Eur322,632* (2019: *Eur403,536*) 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 *Eur36,536,400* (2019: *Eur36,540,000*).

Hili Properties Plc.

In October 2015, Hili Properties Plc. Issued 370,000 4.5% unsecured bonds of a nominal value of *Eur100* per bond. The bonds are redeemable at their nominal value in 2025.

Interest on the bonds is due and payable annually on 16 October of each year.

The bonds are listed on the Official List of the Malta Stock Exchange. The carrying amount of the bond is net of direct issue costs of *Eur766,271* which are being amortised over the life of the bond. The market value of debt securities on the last trading day before the statement of financial position date was *Eur37,003,700* (2019: *Eur38,850,000*).

As per the bond prospectus dated 18 September 2015, the *Eur37,000,000* bonds are jointly and severally guaranteed by Harbour (APM) Investments Ltd and Hili Estates Ltd. The guarantors undertook that as long as the bonds remain outstanding, they shall collectively ensure that their aggregate net asset value will amount to not less than Eur37,000,000 at each financial reporting date. As of 31 December 2020, the aggregate net assets of both guarantors together amounted to *Eur40,148,000* (2019: *Eur38,559,000*) and therefore covers the bonds in issue. The full terms of the guarantee are disclosed in the bond prospectus.

31. Share capital

In 2019, the share capital was restructured to:

- Authorised share capital of *16,000,000* Ordinary shares of *Eur1* each, of which *Eur1,000,000* ordinary shares were issued and called up, and
- Authorised Share Capital of *79,000,000* non-cumulative 6.8% preference redeemable preference shares of *Eur1* each, of which *68,400,000* shares were issued and called up.

In 2020, the share capital remained unvaired at:

- Authorised share capital of *16,000,000* Ordinary shares of *Eur1* each, of which *Eur1,000,000* ordinary shares were issued and called up, and
- Authorised Share Capital of *79,000,000* non-cumulative 6.8% preference redeemable preference shares of *Eur1* each, of which *68,400,000* shares were issued and called up.

All ordinary shares issued in the company rank pari-passu in all respects including dividend rights and capital repayment rights.

Although the Preference Shares are redeemable they still meet the definition of an equity instrument as stipulated in International Accounting Standard 32, *Financial Instruments* as the redemption of the *68,400,000* preference shares at 6.8% are redeemable at par value at the option of the company by 31 December 2099 following a resolution to this effect at the General Meeting.

The ordinary shares of the company rank after the preference shares as regards payment of dividends and return of capital, but carry full voting rights at general meetings of the company. Voting rights are not available to the preference shareholders. Dividends payable on ordinary shares fluctuate depending on the company's results whereas preference dividends are payable at a fixed rate and are non- cumulative.

The above-mentioned shares have been subscribed to by the following shareholders:

- APM Holdings Ltd, *500,000* Ordinary Shares and *68,400,000* 6.8% non-cumulative redeemable preference Shares.
- La Toc Ltd, *224,241* (2019: *448,482)* ordinary shares.
- Slingshot Capital Limited, *275,759* (2019: *51,518)* ordinary shares.

The ordinary shares of the company rank after the preference shares as regards payment of dividends and return of capital, but carry full voting rights at general meetings of the company. Voting rights are not available to the preference shareholders. Dividends payable on ordinary shares fluctuate depending on the company's results whereas preference dividends are payable at a fixed rate and are non-cumulative.

32. Significant non-cash transactions

In addition to the amounts disclosed in note 41 (Liquidity risk), during 2020 there were the following significant non-cash transactions for the company:

a) Included in preference dividends paid to shareholder is an amount of *Eur1,949,683* which were set-off loans payable to Hili Ventures Ltd by the shareholder.

b) The company additionally recognised lease liabilities amounting to *Eur745,050* on 1 January 2020, due to additional contracts. Cash payments made on the total leases amounted to *Eur444,436* (inclusive of interest). The interest expense during the year amounted to *Eur130,518*. The interest, together with the additions to leases recognised during the year, represent the non-cash movements of *Eur875,567* presented in note 41 for leases.

In 2019 the significant non-cash transactions for the company were the following:

a) Included in dividends received from Premier Capital p.l.c. is an amount of *Eur5,000,000* which were used to set-off loans payable by the subsidiary.

b) Included in preference dividends paid to shareholder is an amount of *Eur699,595* which were set-off loans payable to Hili Ventures Ltd by the shareholder.

c) The company adopted IFRS 16 and as a result, recognised lease liabilities amounting to *Eur2,896,631* on 1 January 2019. Cash payments made on leases amounted to *Eur333,564* (inclusive of interest). The interest expense during the year amounted to *Eur100,002*. The interest, together with the adjustment upon initial recognition of IFRS 16, represent the non-cash movements of *Eur2,996,633* presented in note 41 for leases.

33. Cash and cash equivalents

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

	Group		Holding company	
	2020	2019	**2020**	2019
	Eur	Eur	**Eur**	Eur
Cash at bank and on hand	**47,595,565**	66,238,141	**3,743,767**	7,298,815
Overdrawn bank balances	**(5,707,055)**	(6,793,527)	**-**	-
Cash and cash equivalents in in the statements of cash flows	**41,888,510**	59,444,614	**3,743,767**	7,298,815

Cash at bank earns interest at floating rates based on bank deposit rates.

33. Cash and cash equivalents (continued)

Restricted cash which is not available for use by the group as at 31 December 2020, amounted to *Eur1,582,998 (2019: Eur1,191,606).* This is restricted by the bank in Romania for the duration of the loan of 20 years and is equivalent to the monthly bank loan principal and interest payment due together with amounts deposited as a fund for future refurbishments on the property. Accordingly, this is classified under non-current assets.

34. Acquisition of subsidiaries

Kemmuna Ltd

On 31 October 2019, Hili Ventures Ltd via its subsidiary HV Hospitality Ltd acquired 100% interest and control in Kemmuna Ltd, a company registered in Malta and holding and operating the hotel and bungalows on the island of Comino. The purpose of the acquisition was to diversify the operations of the group by venturing into the hospitality industry. The consolidated financial statements include the results of the subsidiary from the date of acquisition.

The acquisition of this company comprised of the purchase of assets and liabilities assumed that do not constitute a business. The individual assets acquired and liabilities assumed were as follows:

	Kemmuna Ltd
	Eur
Property, Plant and Equipment	55,000,000
Inventories	1,747
Trade and other receivables	12,281
Cash and cash equivalents	2,831
Trade and other payables	(339,990)
Consideration paid	54,676,869

Acquisition related expenses amounting to *Eur6,346,081* have been recognised as part of the property, plant and equipment in note 17.

34. Acquisition of subsidiaries (continued)

Gozo Express Services Ltd

On 14 January 2019, Hili Ventures Ltd acquired 100% interest and control in Gozo Express Services Ltd, a logistics company registered in Malta. The purpose of the acquisition was to compliment with synergies, and expand, logistics companies already within the portfolio of the group. The consolidated financial statements include the results of the subsidiary from the date of acquisition.

The fair value of the identifiable assets acquired, and liabilities assumed as at the date of acquisition by the Group were:

	Gozo Express Ltd
	Eur
Other non current assets	410,983
Trade and other receivables	388,087
Property, plant and equipment	127,221
Inventory	16,312
Cash and cash equivalents	1,656
Bank Borrowings	(75,901)
Trade and other payables	(549,940)
Net assets acquired	318,418
Consideration paid	(850,000)
Consideration payable	(300,000)
Goodwill	**831,582**

The result of Gozo Express Services Ltd for 2019 since the date of acquisition have been included in the results of the group for the same year. The results for the period prior to acquisition date are insignificant.

34. Acquisition of subsidiaries (continued)

1923 Investments Plc.

On 30 April 2020, the group acquired 100% interest in the ship-to-ship (STS) operations through the incorporation of two companies as disclosed in note 21. The 2020 consolidated financial statements include the combined results of the subsidiaries within the STS group from the date of acquisition.

The fair value of identifiable assets acquired and liabilities assumed at the date of acquisition of STS Marine Solutions Limited was:

	Eur
Cash and cash equivalents	1,509,407
Property, plant and equipment	6,535,362
Trade and other receivables	3,155,765
Other non-current assets	929,347
Trade and other payables	(1,555,995)
Tax liabilities	(143,408)
Fair value of assets and liabilities acquired	**10,430,478**

Goodwill arising on acquisition:	
Fair value of identifiable assets and liabilities acquired	10,430,478
Consideration transferred	24,784,537
	14,354,059

35. Disposal of Subsidiaries

Hili Properties Plc.

On the 27th November 2020, the Group disposed of 100% interest in Tukuma projekts Ltd. An analysis of assets and liabilities over which control was lost is as follows:

	Eur
Investment property (note 20)	1,600,000
Trade and other receivables	16,858
Cash and cash equivalents	44,642
Trade and other payables	(102,300)
Taxation payable	(2,774)
Net assets disposed of	1,556,426
Consideration received	1,756,426
Gain on disposal of Subsidiary	**200,000**

The Group made a gain of *Eur200,000* from the sale of shares in the subsidiary.

During 2019, the group disposed of its 100% of the investment in Hili Properties (Swatar) Limited for a consideration of *Eur7,146,031*. An analysis of assets and liabilities over which a control was lost is as follows:

	Eur
Investment property (note 20)	11,700,000
Trade and other receivables	87,770
Cash and cash equivalents	115,826
Trade and other payables	(293,358)
Taxation payable	(88,608)
Bank loans	(4,375,599)
Net assets disposed of	7,146,031
Consideration received	7,146,031
Gain/loss on disposal	**-**

36. Related party transactions

Hili Ventures Limited is the parent company of the undertakings highlighted in note 21.

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.

During the course of the year, the company entered into transactions with related parties set out below.

	Related party activity Eur	Total activity Eur	%
2020			
Revenue:			
Related party transactions with:			
Other related parties	189,500	483,237,106	0.04%
Cost of Sales:			
Related party transactions with:			
Other related parties	1,137,060	385,089,872	0.30%
Investment income:			
Related party transactions with:			
Other related parties	658,769	3,445,926	19.12%
Finance costs			
Related party transactions with:			
Parent company	23,583		
Other related parties	148,103		
	171,686	19,475,554	0.88%

36. Related party transactions (continued)

	Related party activity Eur	Total activity Eur	%
2019			
Revenue:			
Related party transactions with:			
Other related parties	208,269	490,567,309	0.04%
Cost of Sales:			
Related party transactions with:			
Other related parties	1,026,570	384,443,463	0.27%
Investment income:			
Related party transactions with:			
Other related parties	456,728	9,986,071	4.57%
Finance costs			
Related party transactions with:			
Parent company	51,043		
Other related parties	100,924		
	151,967	16,701,945	0.91%

36. Related party transactions (continued)

Holding company	Related party activity Eur	Total activity Eur	%
2020			
Revenue:			
Related party transactions with:			
Subsidiaries	**2,400,000**	2,400,000	100%
Administrative expenses:			
Related party transactions with:			
Subsidiaries	**639,828**	4,158,318	15%
Finance expenses			
Related party transactions with:			
Subsidiaries and other related parties	**6,075,440**	6,695,789	91%
Investment income:			
Related party transactions with:			
Subsidiaries	10,459,829		
Other related parties	761,044		
	11,220,873	11,220,873	100%
2019			
Revenue:			
Related party transactions with:			
Subsidiaries	1,480,000	1,480,000	100%
Administrative expenses:			
Related party transactions with:			
Subsidiaries	401,335	5,090,369	8%
Finance expenses			
Related party transactions with:			
Subsidiaries	3,868,228	4,529,755	85%
Investment income:			
Related party transactions with:			
Subsidiaries	20,415,321	20,433,250	100%

During the year under review, *Eur305,000* (*2019 – Eur1,300,000*) was recognised as an impairment loss on amounts due from related parties. This was a result of an impairment assessment carried out on the receivable due by one of the company's subsidiaries. Following such assessment, management has determined that such amounts were not recoverable.

Another amount of *Eur1,411,250* (*2019 – nil*) was recognised as an impairment loss on an investment. This was a result of an impairment assessment carried out on the carrying amount of the investment in one of the company's subsidiaries. Following such assessment, management has determined that such investment was deemed to be impaired in full.

36. Related party transactions (continued)

The amounts due from/to related parties at year-end are disclosed in notes 21 and 27. Other than as disclosed in the respective note, no guarantees have been given or received. The terms and conditions in respect of the related party balances do not specify the nature of the consideration to be provided in settlement.

37. Lease commitments

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

Commitments

	Group		**Holding company**	
	2020	2019	**2020**	2019
	Eur	Eur	**Eur**	Eur
Within one year	**698,160**	698,160	**-**	-
Between one and 5 years	**2,094,480**	2,094,480	**-**	-
Over 5 years	**-**	698,160	**-**	-
	2,792,640	3,490,800	**-**	-

In 2017, the holding company entered into an operating lease for the provision of an aircraft for a fixed number of annual flight hours. This is included in the minimum lease payments in the above disclosure. This lease was renewed in 2019.pp

38. Capital commitments

(i) The subsidiaries in Premier Capital plc. operate under franchise agreements ('the Agreement') entered into with McDonald's International Property Company ('the Franchisor'). The franchise agreements are for a period of 20 years which allows the respective subsidiary to use the McDonald's system in the restaurants. These franchise agreements stipulate certain financial and non-financial obligations, including but not necessarily limited to, maintaining certain financial ratios, performing marketing and other activities. The subsidiaries are obliged to pay a royalty fee based on their annual net sales of the respective company on an annual basis.

(ii) Upon the expiration of these Agreements, the Franchisor shall have the right to purchase all of the equity interest in the Franchisee's McDonald's Restaurant business ("FMRB"). If the Franchisor elects to exercise its right to purchase FMRB, the Purchase price shall be equal to the Fair Market Value, as defined in the Agreement. In the event that the Franchisor does not exercise its right to purchase FMRB, it shall have the right to lease or sublease or purchase, as the case may be, the premises associated with the Restaurants from Franchisee at fair market rental or fair market price, as the case may be.

(iii) At the end of the reporting period the group had the following further capital commitments in respect of investment property.

	2020	2019
	Eur	Eur
Investment property	**869,936**	-
Contracted for	**(869,936)**	-
Authorised but not contracted for	**-**	-

The group did not have any capital commitments which were authorised but not contracted for in relation to investment property.

39. Contingent liabilities

Group

Premier Capital Plc.

(i) Certain subsidiaries of the group, have also guaranteed the amount of *Eur8,107,189* (2019 – *Eur8,107,189*) in favour of related companies in connection with bank facilities of the respective related company.

1923 Investments Plc.

(i) At the end of the previous reporting period ended 31 December 2019, one of the group's subsidiaries under the Harvest Tehcnology division had issued guarantees amounting to *Eur600,000* in relation to bank facilities granted to related undertakings. This guarantee was subsequently removed during the current year. In addition, during 2020, the same subsidiary issued special guarantees totalling *Eur1,394,000* (2019: *EurNil*) in favour of third parties in relation to the major overseas technology implementation project carried out in collaboration with IBM in Mauritius. The same subsidiary also had guarantees amounting to *Eur225,300* (2019: *Eur225,300*) to third parties in Malta as collateral for liabilities.

(ii) 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 *Eur26,646,490* (2019: *Eur23,844,202*).

(iii) 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 *Eur3,184,666* (2019: *Eur7,590,496*) 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.

(iv) Allcom is a party in proceedings initiated by Allcom in the District Court in Gdańsk against the former owners of the Company for the return of the Corporate Income Tax equivalent resulting from the disposal of real estate located in Gdynia by Allcom. The estimated value of the dispute amount to PLN 1,273,266 (equivalent to *Eur279,243*). Allcom is also a defendant party in a counterclaim, the subject of which is the payment by Allcom to the former owners of the Company for a contractual obligation in the amount of PLN 125 636 (equivalent to *Eur27,554*) resulting in an adjustment to the final purchase price of Allcom. Due to the early stage of the proceedings (preceding the verdict in the first instance of the court) as at the date of signing of these financial statements, the potential consequences of the dispute are difficult to predict.

(v) At 31 December 2020, the group had an overdraft facility through Allcom, one of its subsidiaries in Poland, which was secured on the perpetual usufruct of land and buildings in Bolszewo for a total of *PLN 2,680,000*, equivalent to *Eur587,758* (2019: *PLN 2,680,000*, equivalent to *Eur629,580*).

39. Contingent liabilities (continued)

1923 Investments Plc. (continued)

(vi) Allcom has also provided a guarantee for a total of *PLN1,800,000*, equivalent to *Eur394,763* (2019: *PLN 6,000,000*, equivalent to *Eur1,409,509*) 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.

Motherwell Bridge

The company has a guarantee facility amounting to *Eur1,700,000* (2019: *Eur2,700,000*) in favour of its subsidiary in connection with bank guarantee facilities of the respective subsidiary. The company also has a documentary credit facility for *Eur1,000,000* (2019: *Eur1,306,000*) in favour of third parties to secure trade debts.

Holding company

The company has guaranteed the amount of *Eur5,500,000* (2019 – *Eur5,500,000*) in favour of a subsidiary in connection with bank guarantee facilities of the respective subsidiary. The company acted as a guarantor to secure bank facilities of two of its subsidiaries in the amount of *Eur7,026,000* (2019 – *Eur 7,026,000*) and *Eur1,500,000* (2019 – *Eur1,500,000*).

At the end of the reporting period, the company also acted as a guarantor for bonds issued by one of its subsidiaries for the amount of *Eur120,000,000 (2018: Eur40,000,000)*. Refer to note 26 for information on the company's bank overdraft and loan facilities and on the security given over such facilities.

40. Fair values of financial assets and financial liabilities

Group

At 31 December 2020 and 2019 the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively approximated their fair values due to the short term maturities of these assets and liabilities.

The fair values of non-current financial assets and non-current financial liabilities that are not measured at fair value, other than the shares in subsidiary companies that are carried at cost, and the debt securities in issue (where fair value is disclosed in note 30), 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.

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group and 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 measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3.

Group	Level 1 Eur	Level 2 Eur	Level 3 Eur	Total Eur	Carrying amount Eur
Financial assets					
Local listed debt and equity instruments	**798,269**	**-**	**-**	**798,269**	**798,269**
Investment property	**-**	**-**	**64,726,757**	**64,726,757**	**64,726,757**
as at 31.12.2020	**798,269**	**-**	**64,726,757**	**65,525,026**	**65,525,026**
Financial assets					
Local listed debt and equity instruments	820,144	-	-	820,144	820,144
Investment property	-	-	72,605,084	72,605,084	72,605,084
as at 31.12.2020	820,144	-	72,605,084	73,425,228	73,425,228
Financial liabilities					
Derivative financial instruments					
as at 31.12.2020	**-**	**456,358**	**-**	**456,358**	**456,358**
as at 31.12.2019	-	422,559	-	422,559	422,559

The fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

The fair value of other financial asset investments is determined by reference to the net asset value of the underlying investment.

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

The fair value of investment property is determined as disclosed in note 20.

The fair value of the derivative financial instruments is established by using a valuation technique. Valuation techniques comprise discounted cash flow analysis. The valuation technique is consistent with generally accepted economic methodologies for pricing financial instruments. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using appropriate rates at the end of the 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 shares in subsidiary companies, grouped into Levels 1 to 3.

Group	Level 1 Eur	Level 2 Eur	Level 3 Eur	Total Eur	Carrying amount Eur
2020					
Financial assets					
Loans and receivables					
- receivables from related parties and jointly controlled entities	-	6,782,538	132,576	6,915,114	6,915,114
- receivables from ultimate parent	-	15,719,439	-	15,719,439	15,719,439
As at 31.12.2020	-	22,501,977	132,576	22,634,553	22,634,553
Financial liabilities					
Financial liabilities at amortised cost					
- Other financial liabilities	-	2,768,820	-	2,768,820	2,768,820
- Bank borrowings	-	94,493,672	-	94,493,672	94,493,672
- Debt securities	258,065,100	-	-	258,065,100	255,337,859
As at 31.12.2020	258,065,100	97,262,492	-	355,327,592	352,600,351

	Level 1 Eur	Level 2 Eur	Level 3 Eur	Total Eur	Carrying amount Eur
2019					
Financial assets					
Loans and receivables					
- receivables from related parties and jointly controlled entities	-	12,098,289	663,126	12,761,415	12,761,415
- receivables from ultimate parent	-	12,511,130	-	12,511,130	12,511,130
As at 31.12.2019	-	24,609,419	663,126	25,272,545	25,272,545
Financial liabilities					
Financial liabilities at amortised cost					
- Other financial liabilities	-	12,041,329	-	12,041,329	12,041,329
- Bank borrowings	-	86,695,771	-	86,695,771	86,695,771
- Debt securities	263,315,000	-	-	263,315,000	254,915,560
As at 31.12.2019	263,315,000	98,737,100	-	362,052,100	353,652,660

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

The fair values of the financial assets and financial liabilities included in level 2 and level 3 categories 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.

Holding company

	Level 1 Eur	Level 2 Eur	Level 3 Eur	Total Eur	Carrying amount Eur
2020					
Financial assets					
Loans and receivables					
- receivables from related parties	**-**	**20,505,973**	**-**	**20,505,973**	**20,505,973**
Financial liabilities					
Financial liabilities at amortised cost					
- related party loans	**-**	**136,405,340**	**-**	**136,405,340**	**136,405,340**
- bank loans	**-**	**12,929,054**	**-**	**12,929,054**	**12,929,054**
Total	**-**	**149,334,394**	**-**	**149,334,394**	**149,334,394**
2019					
Financial assets					
Loans and receivables					
- receivables from related parties	-	83,170,967	-	83,170,967	83,170,967
Financial liabilities					
Financial liabilities at amortised cost					
- other financial liabilities	-	134,598,449	-	134,598,449	134,598,449
- bank loans	-	15,129,511	-	15,129,511	15,129,511
Total	-	149,727,960	-	149,727,960	149,727,960

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

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

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

41. Financial risk management

Credit risk

Financial assets which potentially subject the group to concentrations of credit risk, consist principally of trade receivables, loans and receivables, debt securities held, financial assets at fair value through other comprehensive income, financial assets at fair value through profit and loss, and cash at bank.

Trade receivables and loan and receivables are presented net of an impairment allowance.

Loans and receivables of the company mainly consist of amounts due from shareholders, subsidiaries and related parties. Loans and receivables of the group consist of amounts due from related parties and joined controlled entities. IFRS 9 is applied by the group and the company, using the expected credit loss model for all group loans. As opposed to the simplified model, the expected credit loss model takes the weighted average of credit losses with the respective risks of defaults occurring as the weights. The assessment includes the following:

- Exposure of default: the total amount of loan outstanding,

- Probability of default: which refers to the percentage or likelihood that the borrower will not be able to repay the debt in the expected period,

- Loss given default: represents the loss suffered by the company if the borrower defaults and is not able to repay the loan.

After applying the expected credit loss model, the credit risk assessed by the company amounted to *Eur305,000* (2019: *Eur1,300,000*) which amount was provided for as disclosed in note 8 to these financial statements.

The group and the company hold money exclusively with institutions having high quality external credit ratings. The cash and cash equivalents held with such banks at 31 December 2020 and 2019 are callable on demand. Cash and cash equivalents are mainly held in a bank that forms part of an international group with an A credit rating by Standard and Poor's and similar high ratings by other agencies as well as with a bank having a credit rating of A1 by Standard and Poor's. The group also holds cash with a local bank having a credit rating of BBB- by Standard and Poor's and with other banks having a similar credit ratings by this agency. 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 recognized by the group and the company.

41. Financial risk management (continued)

Credit risk (continued)

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 by each line of business. They have been grouped based on the days past due and also according to the geographical location of customers. Trade receivables consist of a large number of customers in various industries and mainly in two geographic locations mainly Malta, U.K. and Poland.

The Expected Credit Loss (ECL) at 31 December 2020 was estimated based on a range of forecast economic scenarios at that date.

The coronavirus pandemic which started spreading in early 2020 is continuing to cause significant disruption to business and economic activity. The Expected Credit Loss (ECL) at 31 December 2020 was estimated based on a range of forecast economic scenarios as at that date, including management's assessment of any impact from the effects of Covid-19 on the group as explained further below.

The expected loss rates are based on the payment profile for sales over the past 36 months before 31 December 2020 and 2019 respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. The group has identified gross domestic product (GDP) and unemployment rates of the countries in which the customers are domiciled to be the most relevant factors and accordingly adjusts historical loss rates for expected changes in these factors. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

In addition to the above assessments on the recoverability and expected credit loss provisions on trade and other financial assets, the group has considered the effects of Covid-19 on the economies in which its customers are based, comprising mainly Malta, Poland and the UK, where significant business is being conducted. It has also taken into consideration the financial position of, and risk exposure to, large customers in order to determine whether the group's credit risk has increased as a result of the pandemic. There are no particular indicators that suggest that the assessment of the expected credit risk model adopted by the group materially varies from expectations of collectability and previous patterns of payments from such customers. Furthermore, management has assessed the probability of default of significant amounts due from large customers individually, and consider such risk to be low in view of the creditworthiness of such customers. While the group continues to closely monitor all of its financial assets at more frequent intervals as a result of such events, management considers that the level of ECL provisions at period end remains adequate.

41. Financial risk management (continued)

Credit risk (continued)

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

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

31 December 2020	Current	More than 30 days	More than 60 days	More than 90 days	Total
Expected credit loss rate, %	1%	1%	3%	41%	
Gross Carrying amount, Eur	6,166,171	2,435,345	750,940	4,292,649	13,645,105
Lifetime expected loss, Eur	36,003	28,102	24,299	1,742,159	1,830,563

1 January 2020	Current	More than 30 days	More than 60 days	More than 90 days	Total
Expected credit loss rate, %	0%	2%	7%	42%	
Gross Carrying amount, Eur	7,080,083	2,652,619	692,933	3,726,817	14,152,452
Lifetime expected loss, Eur	26,719	62,522	48,902	1,582,491	1,720,634

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

The closing balance of the of the trade receivables loss allowance as at 31 December 2020 reconciles with the trade receivables loss allowance opening balance as follows:

	2020 Eur	2019 Eur
Opening allowance as at 1 January	**1,720,634**	1,678,458
Loss allowance recognised during the year	**187,078**	496,739
Taken over upon merger	**183,887**	-
Reversal of loss allowance on impaired receivables written off	**(68,182)**	(391,975)
Reversal of allowance for credit losses no longer required	**(192,854)**	(62,588)
Loss allowance as at 31 December	**1,830,563**	1,720,634

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the group's maximum exposure to credit risk without taking account of the value of any collateral obtained. Any guarantees are disclosed in notes 26 and 39.

41. Financial risk management (continued)

Credit risk (continued)

Quoted investments are acquired after assessing the quality of the related investments.

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, except as detailed below:

	2020	2019
	Eur	Eur
Guarantee provided to bank on group and related party loans and third party loans	**223,278,307**	230,126,276

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.

Currency risk

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

The functional currency of all the subsidiaries, except the Romanian, Polish and Moroccan entities, was the Euro both in the current year and in the prior year. Furthermore, the translation of the Romanian, Polish and Moroccan entities, which have the Romanian Leu, Polish Zloty and Moroccan Dirham as their respective functional currencies is recognised in the Group's other comprehensive income in accordance with the Group's accounting policies.

Interest rate risk

The group and the company have taken out bank facilities to finance its operations as disclosed in note 26. The terms of such borrowings are disclosed accordingly.

The effective interest rate on loans and receivables, other financial liabilities, bank borrowings, and cash at bank are disclosed in notes 21, 26, 27 and 33 respectively.

41. Financial risk management (continued)

Interest rate risk (continued)

The group and the company are exposed to cash flow interest rate risk on borrowings carrying a floating interest rate and to fair value interest rate risk on borrowings carrying a fixed interest rate to the extent that these are measured at fair value. Investments in equity instruments are not exposed to interest rate risk.

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 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.

Sensitivity analysis

The group and the company have used a sensitivity analysis technique that measures the change in cash flows of the company's bank borrowings, net of cash at bank and on hand, at the end of the reporting period for hypothetical changes in the relevant market risk variables. The sensitivity due to changes in the relevant risk variables is set out below.

The amounts generated from the sensitivity analysis are forward-looking estimates of market risk assuming certain market conditions. Actual results in the future may differ materially from those projected results due to the inherent uncertainty of global financial markets.

The estimated change in cash flows for changes in market interest rates are based on an instantaneous increase or decrease of 50 basis points at the end of the reporting period, with all other variables remaining constant.

The sensitivity of the relevant risk variables is as follows:

	Group Profit or loss sensitivity		**Holding company Profit or loss sensitivity**	
	2020	2019	**2020**	2019
	Eur	Eur	**Eur**	Eur
Market interest rates – cash flow	**+/-234k**	+/-102k	**+/-65k**	+/-76k

The sensitivity on profit or loss in respect of market interest rates is mainly attributable to bank overdraft and bank loans. The sensitivity analysis is for illustrative purposes only, as in practice market rates rarely change in isolation and are likely to be interdependent.

41. Financial risk management (continued)

Liquidity risk

The group and the company monitors and manages its risk to a shortage of funds by maintaining sufficient cash, by matching the maturity of both their financial assets and financial liabilities and by monitoring the availability of raising funds to meet financial obligations.

Funds are transferred within the group as and when the need arises. Management monitors liquidity risk by means of cash flow forecasts on the basis of expected cash flows over a twelve-month period, which is adjusted monthly and monitored on a weekly basis, to ensure that any additional financing requirements are addressed in a timely manner.

The group and the company is exposed to liquidity risk in relation to meeting the future obligations associated with their financial liabilities, which comprise principally trade and other payables, other financial liabilities and interest-bearing borrowings (refer to notes 25, 26, 27 and 30). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the company's and the group's obligations.

At the end of the reporting period, the group reported a net current liability position of *Eur1,455,358* (2019 – net current asset of *Eur22,889,213*) while the company reported a net current liability position of *Eur297,798* (2019 – net current asset of *Eur15,164,041*).

The directors have reviewed cash flow projections that have been prepared for the next 12 months. The company budgets and cash flow forecasts assume that the group continues to operate within its current credit limits afforded by third party creditors and a strategy to continue to invest in capital expenditure as far as possible from working capital for at least the next 12 months. Based on continued operating profitability, the directors are confident that the company is cautiously optimistic that there should be no particular difficulty to continue to meet its commitments as and when they fall due.

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 can be required to pay. The analysis includes both interest and principal cash flows.

41. Financial risk management (continued)

Liquidity risk (continued)

Group	On demand or within 1 year Eur	Within 2-5 years Eur	More than 5 years Eur	Total Eur
2020				
Non-derivatives financial liabilities				
Non-interest bearing	66,588,016	2,469,165	-	69,057,181
Fixed rate instruments	10,518,500	115,074,000	201,177,500	326,770,000
Variable rate instruments	23,579,866	53,992,188	19,633,044	97,205,098
Derivative financial liabilities	-	456,358	-	456,358
	100,686,382	**171,991,711**	**220,810,544**	**493,488,637**
2019				
Non-derivatives financial liabilities				
Non-interest bearing	76,351,448	5,044,353	-	81,395,801
Fixed rate instruments	10,518,500	42,074,000	282,860,000	335,452,500
Variable rate instruments	19,378,940	58,579,333	19,208,232	97,166,505
Derivative financial liabilities	-	422,559	-	422,559
	106,248,888	106,120,245	302,068,232	514,437,365

Holding company				
2020				
Non-derivatives financial liabilities				
Non-interest bearing	4,067,025	1,249,040	-	5,316,065
Fixed Interest-bearing	12,592,388	27,570,267	140,573,444	180,736,099
Variable rate instruments	2,241,554	10,687,500	-	12,929,054
	18,900,967	**39,506,807**	**140,573,444**	**198,981,218**
2019				
Non-derivatives financial liabilities				
Non-interest bearing	5,941,224	-	-	5,941,224
Fixed Interest-bearing	15,414,393	21,947,572	145,898,227	183,260,192
Variable rate instruments	2,208,084	12,921,427	-	15,129,511
	23,563,701	34,868,999	145,898,227	204,330,927

41. Financial risk management (continued)

Liquidity risk (continued)

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

Group	Opening Balance Eur	Cash Eur	Other non-cash changes Eur	Closing Balance Eur
2020				
Bank loans	79,902,244	8,884,373	-	**88,786,617**
Loans from third parties	12,041,329	(9,165,509)	-	**2,875,820**
Debt securities in issue	254,915,560	-	422,299	**255,337,859**
Leases	83,058,521	(11,264,566)	12,560,932	**84,354,887**

	Opening Balance Eur	Cash Eur	Other non-cash charges	Closing Balance Eur
2019				
Bank loans	93,782,259	(9,580,317)	(4,299,698)	**79,902,244**
Loans from third parties	9,731,424	(1,224,867)	3,534,772	**12,041,329**
Debt securities in issue	175,627,591	78,942,093	345,876	**254,915,560**
Leases	-	(11,605,768)	94,664,289	**83,058,521**

During 2020, the group recognised additional lease liabilities amounting to *Eur11,838,205*. Total cash payments made on leases during the year amounted to *Eur11,264,566* (inclusive of interest). The interest expense during the year amounted to *Eur3,162,885*. In addition, during 2020, the group obtained rent concessions from the landlords of its Apple retail store in Poland and on its restaurant operations in the Premier Capital p.l.c. division amounting to *Eur1,689,912*. In terms of the practical expedient allowed by the International Accounting Standards Board (IASB) to provide relief for lessees from lease modification accounting for rent concessions related to Covid-19, the group has recognised such concessions as a deduction against the net operating costs. The interest, together with the additions to leases recognised during the year less an adjustment of *Eur1,091,667* for currency translation differences, plus *Eur341,421* for re-measurement of leases, and less the rent concessions allowed to the group as aforementioned, represent the non-cash movements of *Eur12,560,932* presented above for leases.

The non-cash movement on debt securities in issue during 2020 comprises of the amortisation of bond issue costs amounting to *Eur422,299*.

41. Financial risk management (continued)

Liquidity risk (continued)

During 2019, the group adopted IFRS 16 and as a result recognised lease liabilities amounting to *Eur76,060,510* on 1 January 2019 and an additional *Eur16,334,979* during the same year. Cash payments made on leases amounted to *Eur11,605,768* (inclusive of interest). The interest expense during the year amounted to *Eur2,958,932*. The interest, together with the adjustment upon initial recognition of IFRS 16 and an adjustment for *Eur690,132* for currency translation differences, represent the noncash movements of *Eur94,664,289* presented above for leases.

The significant non-cash movements on bank loans in 2019 include mainly bank loans removed from the group upon the sale of a subsidiary amounting to *Eur4,375,599* (note 35) and bank loans taken over upon acquisition of subsidiary amounting to *Eur75,901* (note 34). During 2019, the significant non-cash movement of *Eur3,534,772* on other financial liabilities comprised mainly of loans taken over upon acquisition of subsidiaries amounting to *Eur3,222,601* (note 34), loans removed from the group upon the sale of subsidiaries amounting to *Eur87,099* (note 35), a dividend made to minority interest not paid for in cash amounting to *Eur361,245* and other non-cash movements of *Eur38,025*. The non-cash movement on debt securities in issue during 2019 comprises of the amortisation of bond issue costs amounting to *Eur345,876* and payments of *Eur1,057,907* made for the purpose of issuing the new bonds (note 30).

Holding company	**Opening Balance Eur**	**Cash Eur**	**Other non-cash changes Eur**	**Closing Balance Eur**
2020				
Bank loans	15,129,511	(2,200,457)	-	**12,929,054**
Leases	2,663,070	(444,435)	875,568	**3,094,203**
	Opening Balance Eur	**Cash Eur**	**Other non-cash charges Eur**	**Closing Balance Eur**
2019				
Bank loans	17,303,396	(2,173,885)	-	**15,129,511**
Leases	-	(333,563)	2,996,633	**2,663,070**

42. Financial risk management (continued)

Capital risk management

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

The capital structure of the group and the company consists of debt, which includes the borrowings disclosed in notes 26, 27 and 30, cash and cash equivalents as disclosed in note 33 and of items presented within equity in the statement of financial position.

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

43. Events after the reporting period

No 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 Hili Ventures Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Hili Ventures Limited (the "Company") and of the Group of which it is the parent (the "Group") set out on pages 15 to 150 which comprise the statements of financial position as at 31 December 2020, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company and the Group as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Companies Act, Cap. 386 (the "Act").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company 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.

Other information

The directors are responsible for the other information. The other information comprises the Directors' report shown on pages 3 to 13 and the Statement of directors' responsibilities on page 14, 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.

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

With respect to the Directors' report, we also considered whether the Directors' report includes the disclosures required by Article 177 of the 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 its 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 and the Audit Committee 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 have delegated the responsibility for overseeing the Company's and the Group's financial reporting process to the Audit Committee.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

We also provide the board of directors and the audit committee 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.

Report on other legal and regulatory requirements 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.

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

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

Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

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

27 May 2021