

Harvest Technology Limited

Report & Consolidated Financial
Statements

31 December 2018

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Directors' report

The directors present their report together with the audited financial statements of Harvest Technology Limited and the consolidated financial statements of the Group of which it is the parent, for the year ended 31 December 2018.

Principal activities

The principal activity of the parent company is that of acting as an intermediate holding company.

The group is mainly involved in the sale, maintenance and servicing of information technology solutions, security systems, and to provide electronic payments solutions.

Performance review

During the year under review, the Group registered an operating profit of € 967,412 (2017: € 963,201) on revenue of € 15,568,699 (2017: € 13,086,973). After accounting for finance costs, the Group registered a profit after tax of € 580,676 (2017: € 324,575).

The group's net assets at the end of 2018 amounted to € 9,214,912 (2017: € 9,540,711). In 2018 a net dividend of € 750,000 was distributed to its shareholders.

The company earned revenue and investment income of € 443,492 and € 2,218,290 respectively (2017: € 516,621 and € 1,650,583 respectively). After accounting for finance income, finance costs and administrative expenditure, the company registered a profit after tax of € 849,856 (2017: € 390,694). The net assets of the company at the end of 2018 amounted to € 11,439,579 (2017: € 11,339,723).

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

Financial

The Group's current ratio ("current assets divided by current liabilities") currently stands at 1.16:1 (2017: 1.12:1).

The Group measures its performance based on EBITDA. EBITDA is defined as the Group profit before depreciation, amortisation, net finance expense and taxation. During the year under review, EBITDA improved by 11% to € 1,355,370 from € 1,220,233.

The Group's EBITDA margin increased to 9% (2017: 6%).

The Group aims to deliver a return on average capital employed above the level of its cost of funding. The return on average capital employed represents the profit on ordinary activities before finance costs and exceptional items but includes share of results of joint ventures, divided by the average of opening and closing tangible net worth. The company ensures that this capital is used as effectively as possible. The return on average capital employed improved from 7% to 10% during the year under review due to an improvement in profitability.

Non-financial

The results of the Harvest Division are in line with expectations of the business and the outlook going forward is cautiously optimistic. The directors note that the volumes in e-commerce business increased by 7% in 2018 over 2017. The Harvest Technology Group will continue to provide steadily positive results which the directors are committed to strengthen and continue to improve.

Principal risks and uncertainties

The Board, considers the nature and extent of the risk management framework and risk profile to be acceptable. Harvest Technology Limited has established strategic relationships with its key suppliers. These relationships support Harvest Technology Group's product and service offerings, and sales activities generally.

Financial risk management

Note 39 to the financial statements provides details in connection with the company's use of financial instruments, its financial risk management objectives and policies and the financial risks to which it is exposed.

Non-Financial Statement

Environmental matters

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

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

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

Employee matters

The Group provides opportunity, nurtures talent, provides support to develop leaders and rewards achievement. The Group believes that a team of individuals with diverse backgrounds and experiences, working together in an environment that fosters respect and drives high levels of engagement, is essential to its continuing business success. Performance evaluation systems are employed across the Group by applying career progression mechanisms and by rewarding achievements. The group also invests in training programmes to all staff to ensure all employees are abreast of developing and emerging technologies including artificial intelligence and blockchain.

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

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

Social Matters

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

Respect for human rights

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

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

Anti-corruption and bribery matters

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

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

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

Business Model

Harvest Technology is a multi-brand information technology solutions provider to businesses and the public sector: apart from systems integration and software development, it provides payment solutions and e-commerce processing services to retailers and Internet-based merchants, together with the provision of a range of automation and security solutions to the banking, retail, fuel and other sectors.

Through its extensive experience in technology, the Group is positioned to continue to develop and offer a broad range of state-of-the-art solutions, and assure an excellent quality of service to its customers

Significant judgements and estimates

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

Results and dividends

The results for the year ended 31 December 2018 are shown in the statements of profit or loss and other comprehensive income on page 11. The group's profit for the year after taxation was € 580,676 (2017: € 324,575), whilst the company's profit for the year after taxation was € 849,856 (2017: €390,694).

A final dividend of €750,000 has been recommended and paid during 2018.

Likely future business developments

The directors of Harvest Technology Limited are of the view that there are a number of investment opportunities that will be explored and evaluated with a view to continue to grow its business portfolio in line with the company's strategy.

Post balance sheet events

During 2019, as a result of a management buyout, Eunoia Limited ceased to be part of Harvest Technology Limited. The loss arising from Eunoia Limited for the year ended 31 December 2018 amounted to € 174,290.

Directors

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

Prof Juanito Camilleri - Chairman
Mr Steve Tarr
Dr. Godwin Caruana (appointed on 25 May 2018)
Mr Carmelo Hili (resigned on 25 May 2018)
Mr Richard Abdilla Castillo (resigned on 9 May 2019)

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

Going concern

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

Disclosure of information to the auditor

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

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

Statement of directors' responsibilities

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

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

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

Auditor

Grant Thornton have intimated their willingness to continue in office.

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

Approved by the board of directors and signed on its behalf on 10 July 2019 by:



Prof Juanito Camilleri
Chairman



Stephen Kenneth Tan
Director

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

10 July 2019

Statements of profit or loss and other comprehensive income

	Notes	The group 2018 €	The group 2017 €	The company 2018 €	The company 2017 €
Revenue	6	15,568,699	13,086,973	443,492	516,621
Cost of sales		(9,887,672)	(8,504,885)	-	-
Gross profit		5,681,027	4,582,088	443,492	516,621
Other operating income	7	17,620	16,929	-	-
Administrative expenses		(4,731,235)	(3,635,816)	(1,350,388)	(1,222,528)
Operating profit / (loss)		967,412	963,201	(906,896)	(705,907)
Investment income	8	-	326,071	2,218,290	1,650,583
Finance income	9	12,776	24,006	35,259	26,054
Finance costs	10	(51,543)	(47,310)	-	(2,890)
Impairment of goodwill	16	-	(31,726)	-	-
Loss on disposal of associate	20	-	(253,438)	-	(253,438)
Share of results in joint ventures	20	-	(94,604)	-	-
Profit before tax	11	928,645	886,200	1,346,653	714,402
Tax expense	14	(347,969)	(556,637)	(496,797)	(323,708)
Profit for the year from continuing operations		580,676	329,563	849,856	390,694
Loss from discontinued operations	42	-	(4,988)	-	-
Profit for the year		580,676	324,575	849,856	390,694
Profit attributable to:					
Owners of the company		580,676	324,575	849,856	390,694
Non-controlling interest		-	-	-	-
		580,676	324,575	849,856	390,694

Statements of financial position

	Notes	The group 2018 €	The group 2017 €	The company 2018 €	The company 2017 €
Assets					
Non-current					
Goodwill	16	7,493,487	7,493,487	-	-
Intangible assets	17	1,249,903	1,137,475	6,298	16,091
Property, plant and equipment	18	292,548	337,346	1,786	4,732
Investment in subsidiaries	19	-	-	11,121,722	11,122,921
Investment in joint ventures	20	-	305,396	63,149	470,484
Investment in associates	20	-	-	-	-
Other investments	21	50,000	50,000	50,000	50,000
Loans and receivables	22	1,064,002	1,220,866	1,201,825	1,358,689
Deferred tax assets	33	323,724	284,615	13,284	7,660
		10,473,664	10,829,185	12,458,064	13,030,577
Current					
Inventories	23	739,513	712,487	-	-
Loans and receivables	22	-	767,654	-	697,172
Contract assets	6	905,058	-	-	-
Other assets	24	304,426	104,411	1,685	36,332
Trade and other receivables	25	5,927,066	5,103,725	2,400,920	1,281,792
Cash and cash equivalents	26	990,097	994,149	242,704	4,555
Current tax assets		330,399	406,748	330,399	362,875
		9,196,559	8,089,174	2,975,708	2,382,726
Total assets		19,670,223	18,918,359	15,433,772	15,413,303

Statements of financial position – continued

	Notes	The group 2018 €	The group 2017 €	The company 2018 €	The company 2017 €
Equity					
Equity attributable to owners of the parent:					
Share capital	27	11,390,318	11,390,318	11,390,318	11,390,318
Other equity	28	(2,821,365)	(2,821,365)	-	-
Retained earnings (accumulated losses)		645,959	971,758	49,261	(50,595)
Total equity		9,214,912	9,540,711	11,439,579	11,339,723
Liabilities					
Non-current					
Borrowings	29	100,000	-	-	-
Other financial liabilities	32	2,132,974	1,867,700	2,132,975	1,867,700
Deferred tax liabilities	33	273,072	267,199	-	-
		2,506,046	2,134,899	2,132,975	1,867,700
Current					
Borrowings	29	934,679	615,131	-	-
Trade and other payables	30	2,690,662	3,804,935	145,429	143,506
Contract liabilities	31	1,591,781	-	-	-
Other financial liabilities	32	2,371,862	2,422,061	1,715,789	2,062,374
Current tax liabilities		360,281	400,622	-	-
		7,949,265	7,242,749	1,861,218	2,205,880
Total liabilities		10,455,311	9,377,648	3,994,193	4,073,580
Total equity and liabilities		19,670,223	18,918,359	15,433,772	15,413,303

The financial statements on pages 7 to 70 were approved by the board of directors, authorised for issue on 10 July 2019 and signed on its behalf by:



Prof Juanito Camilleri
Chairman



Stephen Kenneth Tarr
Director

Statement of changes in equity – the group

	Share Capital €	Other equity €	Retained earnings €	Attributable to equity holders of the parent €	Non- controlling Interests €	Total Equity €
At 1 January 2017	11,390,318	(1,367,314)	76,619	10,099,623	600	10,100,223
Transactions with owners:						
Change in shareholding	-	-	-	-	(600)	(600)
Dividends	-	-	(1,000,000)	(1,000,000)	-	(1,000,000)
	-	-	(1,000,000)	(1,000,000)	(600)	(1,000,600)
Profit for the year	-	-	324,575	324,575	-	324,575
Total comprehensive income	-	-	324,575	324,575	-	324,575
Disposal of associate	-	300,000	(183,487)	116,513	-	116,513
Other movements	-	(1,754,051)	1,754,051	-	-	-
	-	(1,454,051)	1,570,564	116,513	-	116,513
At 31 December 2017	11,390,318	(2,821,365)	971,758	9,540,711	-	9,540,711

Statement of changes in equity – the group – continued

	Share Capital	Other equity	Retained earnings	Attributable to equity holders of the parent	Non- controlling interests	Total Equity
	€	€	€	€	€	€
At 1 January 2018	11,390,318	(2,821,365)	971,758	9,540,711	-	9,540,711
Adjustment from the adoption of IFRS 15	-	-	(61,869)	(61,869)	-	(61,869)
Adjusted balance at 1 January 2018	11,390,318	(2,821,365)	909,889	9,478,842	-	9,478,842
Transactions with owners:						
Dividends	-	-	(750,000)	(750,000)	-	(750,000)
	-	-	(750,000)	(750,000)	-	(750,000)
Profit for the year	-	-	580,676	580,676	-	580,676
Total comprehensive income	-	-	580,676	580,676	-	580,676
Minority interest on purchase of subsidiary	-	-	-	-	(94,606)	(94,606)
Full acquisition of subsidiary	-	-	(94,606)	(94,606)	94,606	-
	-	-	(94,606)	(94,606)	-	(94,606)
At 31 December 2018	11,390,318	(2,821,365)	645,959	9,214,912	-	9,214,912

Accumulated profits include current and prior period results as disclosed in the income statement.

Statement of changes in equity – the company

	Share capital	Retained earnings	Total
	€	€	€
At 1 January 2017	11,390,318	558,711	11,949,029
Dividends	-	(1,000,000)	(1,000,000)
Transactions with owners	-	(1,000,000)	(1,000,000)
Profit for the year	-	390,694	390,694
Total comprehensive income	-	390,694	390,694
At 31 December 2017	11,390,318	(50,595)	11,339,723
At 1 January 2018	11,390,318	(50,595)	11,339,723
Dividends	-	(750,000)	(750,000)
Transactions with owners	-	(750,000)	(750,000)
Profit for the year	-	849,856	849,856
Total comprehensive income	-	849,856	849,856
At 31 December 2018	11,390,318	49,261	11,439,579

Accumulated losses include current and prior period results as disclosed in the income statement.

Statements of cash flows

	Notes	The group 2018 €	The group 2017 €	The company 2018 €	The company 2017 €
Operating activities					
Profit before tax		928,645	886,200	1,346,653	714,402
Adjustments	34	572,606	507,033	(1,957,436)	(1,406,869)
Net changes in working capital	34	(1,785,896)	(1,502,189)	446,141	355,756
Tax paid		(604,721)	(251,142)	-	(25,381)
Tax refunded		259,524	69,388	220,845	-
Net cash used in continuing operations		(629,842)	(290,710)	56,203	(362,092)
Net cash used in discontinued operations	42	-	(4,988)	-	-
Net cash generated from / (used in) operating activities		(629,842)	(295,698)	56,203	(362,092)
Investing activities					
Payments to acquire property, plant and equipment		(67,848)	(105,870)	(532)	(4,231)
Payments to acquire intangible assets		(398,019)	(407,202)	-	(18,885)
Payments to acquire investment in subsidiary		-	-	-	(3,198)
Payments to acquire joint venture		-	(400,000)	-	(400,000)
Proceeds from disposal of property, plant and equipment		15,887	-	-	-
Payments to acquire other investment		-	(50,000)	-	(50,000)
Proceeds from sale of associate		-	150,629	-	150,629
Dividends received from associate		-	211,947	-	211,947
Net cash used in investing activities		(449,980)	(600,496)	(532)	(113,738)

Statements of cash flows – continued

	Notes	The group 2018 €	The group 2017 €	The company 2018 €	The company 2017 €
Financing activities					
Movement in loans and receivables		1,242,690	(156,588)	854,036	1,109,814
Movement in other financial liabilities		189,970	2,764,451	43,183	340,804
Proceeds from bank loan		300,000	-	-	-
Interest received		-	-	35,259	26,054
Interest paid		(26,438)	(25,340)	-	(2,890)
Dividends paid		(750,000)	(1,000,000)	(750,000)	(1,000,000)
Net cash generated from financing activities		956,222	1,582,523	182,478	473,782
Net change in cash and cash equivalents		(123,600)	686,329	238,149	(2,048)
Cash and cash equivalents, beginning of year		379,018	(307,311)	4,555	6,603
Cash and cash equivalents, end of year	26	255,418	379,018	242,704	4,555

Notes to the financial statements

1 Nature of operations

The principal activities of the group are the sale, maintenance and servicing of information technology solutions, security systems and provides electronic payment solutions. The company acts as an intermediate holding company.

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

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

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

In 2018, the group has adopted new guidance for the recognition of revenue from contracts with customers (see Note 3.1 below). This guidance was applied using a modified retrospective ('cumulative catch-up') approach under which changes having a material effect on the consolidated statement of financial position as at 1 January 2018 are presented together as a single adjustment to the opening balance of retained earnings. Accordingly, the group is not required to present a third statement of financial position as at that date.

Further, the group has adopted new guidance for accounting for financial instruments (see Note 3.1 below). This guidance was applied using the transitional relief allowing the entity not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to classification, measurement, and impairment are recognised in retained earnings.

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

3 New or revised Standards or Interpretations

3.1 New standards adopted as at 1 January 2018

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 'Revenue from Contracts with Customers' and the related 'Clarifications to IFRS 15 Revenue from Contracts with Customers' (hereinafter referred to as 'IFRS 15') replace IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new Standard has been applied retrospectively without restatement, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at 1 January 2018. In accordance with the transition guidance, IFRS 15 has only been applied to contracts that are incomplete as at 1 January 2018.

The adoption of IFRS 15 has mainly affected the following area:

- Development of IT systems involving the design and implementation of complex software solutions

The design and implementation of such systems is complex by nature and is usually completed over a number of months. The contracts typically include both the provision of hardware and software as well as the provision of maintenance and support over a period of time which may extend to a number of years. Prior to the introduction of IFRS 15, revenue on large contracts was recognised in accordance with the percentage completion method in accordance with IAS 11, Construction Contracts. IFRS 15 now replaces, inter alia IAS 11 and this requires revenue to be recognised in accordance with the 5 step model of the new standard.

Following a thorough assessment of a number of significant contracts at year end, the group had only one contract for which the software obligations were still being implemented at 31 December 2017. The contract required a customised software that required significant development and where the performance obligation could only be satisfied together with the delivery and installation of the hardware required for such project. The performance obligation was therefore satisfied at a point in time only when the customer effectively took control of the promised product. This took place during 2018. According to the 5 step model of IFRS 15, the group had not yet satisfied the performance obligation of the contract at the end of 2017 and therefore resulted in an adjustment of € 61,869 to the retained earnings (negative impact) of 1923 Investments plc at 1 January 2018. There are no expected impairments on the project and the adjustment was purely of a timing nature in accordance with the first time adoption of the Standard.

Contracts with multiple performance obligations

A number of the group's contracts comprise a variety of performance obligations including, but not limited to, hardware, software, elements of design and customisation, after-sales services, and installation. Under IFRS 15, the group must evaluate the separability of the promised goods or services based on whether they are 'distinct'. A promised good or service is 'distinct' if both:

- the customer benefits from the item either on its own or together with other readily available resources, and
- it is 'separately identifiable' (ie the group does not provide a significant service integrating, modifying or customising it).

While this represents significant new guidance, the implementation of this new guidance did not have a significant impact on the timing or amount of revenue recognised by the group in any year.

Apart from the effect of the impact noted above, there were no other adjustments to the group reserves at 1 January 2018 arising from the first time adoption of IFRS 15. A further analysis is therefore not required.

IFRS 9 'Financial Instruments'

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

When adopting IFRS 9, the group has applied transitional relief and opted not to restate prior periods. Any differences arising from the adoption of IFRS 9 in relation to classification, measurement, and impairment would have been recognised in retained earnings.

There was however no impact from the adoption of IFRS 9 on these financial statements.

The adoption of IFRS 9 has impacted the following area of the group:

- the impairment of financial assets applying the expected credit loss model. This affects the group's trade receivables and investments in debt-type assets measured at amortised cost. For contract assets arising from IFRS 15 and trade receivables, the group applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing component. Refer to note 4.22.

There have been no reclassification of financial instruments between measurement categories arising from the first time application of IFRS 9. Nevertheless, the following table illustrates the categories where IFRS 9 applies and the balances on the categories before and after initial application.

	Measurement category		Carrying amount		
	Original IAS 39 category	New IFRS 9 category	Closing balance at 31 December 2017	Adoption of IFRS 9	Opening balance at 1 January 2018
Non-current financial assets					
Loans and receivables	Amortised cost	Amortised cost	1,220,866	-	1,220,866
Current financial assets					
Loans and receivables	Amortised cost	Amortised cost	767,654	-	767,654
Trade and other receivables	Amortised cost	Amortised cost	4,979,173	-	4,979,173
Cash and cash equivalents	Amortised cost	Amortised cost	994,149	-	994,149

There have been no changes to the classification or measurement of financial liabilities as a result of the application of IFRS 9.

Since there were no reclassifications or remeasurements of financial assets and financial liabilities at 1 January 2018, a reconciliation of the statement of financial position balances from IAS 39 to IFRS 9 is not required.

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

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

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

IFRS 16 'Leases'

IFRS 16 will replace IAS 17 'Leases' and three related Interpretations. It completes the IASB's long-running project to overhaul lease accounting. Leases will be recorded in the statement of financial position in the form of a right-of-use asset and a lease liability. There are two important reliefs provided by IFRS 16 for assets of low value and short-term leases of less than 12 months.

IFRS 16 is effective from periods beginning on or after 1 January 2019. Early adoption is permitted; however, the group have decided not to early adopt.

Management is in the process of assessing the full impact of the Standard. So far, the group:

- has decided to make use of the practical expedient not to perform a full review of existing leases and apply IFRS 16 only to new or modified contracts. As some leases will be modified or renewed in 2019, the group has reassessed these leases and concluded they will be recognised on the statement of financial position as a right-of-use asset
- believes that the most significant impact will be that the group will need to recognise a right of use asset and a lease liability for the office and operating buildings currently treated as operating leases. At 31 December 2018 the future minimum lease payments amounted to € 2,613,736. This will mean that the nature of the expense of the above cost will change from being an operating lease expense to depreciation and interest expense.

The group is planning to adopt IFRS 16 on 1 January 2019 using the Standard's modified retrospective approach. Under this approach the cumulative effect of initially applying IFRS 16 is recognised as an adjustment to equity at the date of initial application. Comparative information is not restated.

Choosing this transition approach results in further policy decisions the group need to make as there are several other transitional reliefs that can be applied. These relate to those leases previously held as operating leases and can be applied on a lease-by-lease basis. The group are currently assessing the impact of applying these other transitional reliefs.

4 Summary of accounting policies

4.1 Overall considerations

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

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

4.2 Presentation of financial statements

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

4.3 Basis of consolidation

The group financial statements consolidate those of the parent company and all of its subsidiaries as of 31 December 2018. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The subsidiaries have a reporting date of 31 December.

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

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

4.4 Business combinations

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

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

4.5 Investment in subsidiaries

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

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

4.6 Investment in associates and joint ventures

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

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

The results and assets and liabilities of associates/joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates/joint ventures are initially

recognised at cost and adjusted thereafter for the post-acquisition change in the group's share of net assets of the associates/joint ventures, less any impairment in the value of individual investments.

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

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

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

4.7 Acquisition of entities and businesses under common control

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

4.8 Acquisition of subsidiaries

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

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

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

4.9 Goodwill

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

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

4.10 Non-controlling interest

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

4.11 Revenue recognition

Revenue for the group arises mainly from the sale, maintenance and servicing of information technology solutions, security systems and provides electronic payment solutions.

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

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

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

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

The group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position (see note 31). Similarly, if the group satisfies a performance obligation before it receives the consideration, the group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Sale of information technology solutions, security systems and other machinery

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

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

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

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

Maintenance and servicing

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

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

Consulting and development of IT systems

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

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

Most such arrangements include detailed customer payment schedules. When payments received from customers exceed revenue recognised to date on a particular contract, any excess (a contract liability) is reported in the statement of financial position (see note 31).

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

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

Payment Gateway

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

4.12 Interest and dividends

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

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

4.13 Operating expenses

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

4.14 Borrowing costs

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

4.15 Employee benefits

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

4.16 Share based payments

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

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

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

4.17 Foreign currency translation

Foreign currency transactions and balances

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

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

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

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

4.18 Intangible assets

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

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

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

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

Patents and trademarks

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

Internally developed software

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

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

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

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

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

All finite-lived intangible assets, including capitalised internally developed software, are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described in note 4.21. The following useful lives are applied:

	Years
Software	3
Patents and trademarks	7-10

Any capitalised internally developed software that is not yet complete is not amortised but is subject to impairment testing as described in note 4.21.

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

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

4.19 Plant and equipment

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

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

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

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

Depreciation

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

	Years
Motor vehicles	20
Furniture, fittings and other equipment	10
Office and computer equipment	20 – 33

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

4.20 Leases

Operating leases

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

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

Finance leases

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

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

The group does not have any assets under finance lease.

4.21 Impairment testing of intangible assets and plant and equipment

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

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

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

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

4.22 Financial instruments

Recognition, initial measurement and derecognition

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

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

Classification and initial measurement of financial assets

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

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

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

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

The classification is determined by both:

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

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

Subsequent measurement of financial assets

Financial assets at amortised cost

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

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

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

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

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

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

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

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

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

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

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

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

Impairment of financial assets

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

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

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

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

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

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

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

Previous financial asset impairment under IAS 39

In the prior year, the impairment of trade receivables was based on the incurred loss model. Individually significant receivables were considered for impairment when they were past due or when other objective evidence was received that a specific counterparty will default. Receivables that were not considered to be individually impaired were reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate was then based on recent historical counterparty default rates for each identified group.

Trade and other receivables and contract assets

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

The group assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due. Refer to note 39.2 for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the group's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

The Group's financial liabilities include borrowings and trade and other payables and other financial liabilities.

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

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

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

4.23 Inventories

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

4.24 Income taxes

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

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

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

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

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

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

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

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

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

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

4.25 Discontinued operations

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

4.26 Cash and cash equivalents

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

4.27 Equity and reserves

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

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

Retained earnings include current period results as disclosed in the income statement less dividend distributions.

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.

4.28 Provisions and contingent liabilities

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

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

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

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

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

4.29 Significant management judgement in applying accounting policies and estimation uncertainty

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

Significant management judgements

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

Recognition of service and contract revenues

As revenue from after-sales maintenance agreements and consulting and development of systems contracts is recognised over time, the amount of revenue recognised in a reporting period depends on the extent to which the performance obligation has been satisfied. For after-sales maintenance agreements this requires an estimate of the quantity of the services to be provided, based on historical experience with similar contracts. In a similar way, recognising revenue for consulting and development of systems contracts also requires significant judgment in determining the estimated number of hours required to complete the promised work when applying the hours-to-hours method described in note 4.11. Management however considers that any variance in estimates on ongoing contracts would be insignificant to the group.

Capitalisation of internally developed software

Distinguishing the research and development phases of a new customised software project and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired (see note 4.18).

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions (see note 4.24).

Estimation uncertainty

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

Impairment of intangible assets including goodwill and tangible assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows (see note 4.21). In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the group's assets within the next financial year.

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

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

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

At 31 December 2018, goodwill was allocated as follows:

- € 3,357,248 (2017: € 3,357,248) to APCO Systems Limited which operates the electronic payment gateway.
- € 2,671,762 (2017: € 2,671,762) to APCO Limited which operates in the business of selling and maintenance of IT solutions and security systems.
- € 1,464,477 (2017: € 1,464,477) to PTL Limited business.

CGU – Payment Processing Services

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

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

- forecasted cash flow projections for the next three years and projection of terminal value using the perpetuity method;
- growth rates to perpetuity of 2.0%; and
- use of 17.2% (pre-tax) (2017: 15.1%) 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 – IT Solutions and Security Systems

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

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

- forecasted cash flow projections for the next three years and projection of terminal value using the perpetuity method;
- growth rates to perpetuity of 2.0%; and
- use of 13.2% - 17.1% (pre-tax) (2017: 16.2% - 21.8%) 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.

Useful lives of depreciable assets

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

Inventories

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

Business combinations

Management uses valuation techniques when determining the fair values of certain assets and liabilities acquired in a business combination (see note 4.4).

5 Segment reporting

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

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

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

The sale of payment processing services and the provision of IT solutions and security systems are derived from Malta.

In 2018 and 2017, the group did not have any clients which individually represented 10% or more of the total revenue of the group.

As at the end of the reporting period the total amount of intangible assets and property, plant and equipment amounted to € 8,743,390 (2017: € 8,630,962) and € 292,548 (2017: € 337,346) respectively.

Measurement of operating segment profit or loss, assets and liabilities

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

The accounting policies of the reportable segments are the same as the group's accounting policies described in note 4.

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

Profit and loss before tax from continuing operations

	2018 €	2017 €
Total profit for reportable segments	1,502,896	1,209,689
Unallocated amounts:		
Interest expense	-	-
Other unallocated amounts	(574,251)	(323,489)
	<u>928,645</u>	<u>886,200</u>

Assets

	2018 €	2017 €
Total assets for reportable segments	12,227,274	9,208,129
Elimination of receivables	(4,149,052)	(3,321,044)
Unallocated amounts:		
Property, plant and equipment	1,786	4,732
Goodwill	7,493,487	7,493,487
Intangible assets	6,298	16,091
Loans and receivables	3,604,430	2,676,813
Cash and cash equivalents	242,704	4,555
Other unallocated amounts	243,296	2,835,596
	<u>19,670,223</u>	<u>18,918,359</u>

Liabilities

	2018 €	2017 €
Total liabilities for reportable segments	10,610,173	7,296,915
Elimination of liabilities	(4,149,052)	(3,321,044)
Unallocated amounts:		
Bank loans	300,000	-
Trade and other payables	145,429	143,506
Other unallocated amounts	3,548,761	5,258,271
	<u>10,455,311</u>	<u>9,377,648</u>

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

	Payment processing services €	Retail and IT Solutions (Poland and Romania) €	Total €	Unallocated €	Eliminations and adjustments €	Consolidated €
2018						
Revenue	3,726,545	12,553,799	16,280,344	443,492	(1,155,137)	15,568,699
Profit before tax	1,609,487	(106,591)	1,502,896	1,346,653	(1,920,904)	928,645
Depreciation and amortisation	217,581	116,441	334,022	13,271	40,675	387,968
Segment assets	3,967,281	8,259,993	12,227,274	15,433,772	(7,900,823)	19,760,223
Capital expenditure	323,320	138,196	461,516	532	-	462,048
Segment liabilities	2,801,352	7,808,821	10,610,173	3,994,193	(4,149,055)	10,455,311
Income tax expense	563,320	(21,358)	541,962	496,797	(690,790)	347,969
2017						
Revenue	2,524,089	12,140,127	14,664,216	1,127,861	(2,705,104)	13,086,973
Profit before tax	1,007,584	202,105	1,209,689	1,053,702	(1,377,191)	886,200
Depreciation and amortisation	17,780	176,023	193,803	182,254	(159,932)	216,125
Segment assets	2,052,679	7,155,450	9,208,129	16,935,517	(7,225,287)	18,918,359
Capital expenditure	9,694	588,283	597,977	-	-	597,977
Segment liabilities	656,447	6,640,468	7,296,915	5,472,260	(3,391,527)	9,377,648
Income tax expense	355,875	88,087	443,962	442,463	(329,788)	556,637

6 Revenue

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

	The group 2018 €	The group 2017 €	The company 2018 €	The company 2017 €
Sale of goods	6,829,845	5,792,084	-	-
Rendering of services and development	1,918,976	1,582,611	-	-
Maintenance, support and servicing	2,947,712	3,199,590	-	-
Payment gateway services	3,872,166	2,210,747	-	-
Other revenue	-	301,941	-	-
Management fees	-	-	443,492	516,621
	15,568,699	13,086,973	443,492	516,621

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:

	The group 2018 €	The group 2017 €
Contract assets relating to rendering of services and development	659,727	-
Contract assets relating to maintenance, support and servicing	58,552	-
Contract assets relating to commission income accrued on gateway	186,779	-
	905,058	-

Had the group reclassified contract assets for the previous financial year, such assets would have amounted to € 1,083,323. The group has elected not to reclassify prior period amounts as permitted by IFRS 15.

Contract assets have decreased since the group still had a number of significant projects that had not yet been billed for performance obligations that have been satisfied by the end of 2017. A number of these projects have been completed during the current financial year. The group does not expect any loss allowances from such amounts, as these are due from customers with no history of losses and which are considered of good credit quality. The assessment of credit losses on balances at 31 December 2018 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 2018:

	2019 €	2020 €	2021 €	Later €
Revenue expected to be recognised	751,068	754,674	575,102	53,733

Transaction prices allocated to unsatisfied or partially unsatisfied performance obligations at 31 December 2017 are not disclosed as permitted under the transitional provisions of IFRS 15.

7 Other operating income

	The group 2018 €	The group 2017 €	The company 2018 €	The company 2017 €
Other operating income	17,620	16,929	-	-
	17,620	16,929	-	-

8 Investment income

	The group 2018 €	The group 2017 €	The company 2018 €	The company 2017 €
Dividends from subsidiaries	-	-	2,218,290	1,650,583
Dividends from associate	-	326,071	-	-
	-	326,071	2,218,290	1,650,583

9 Finance income

	The group 2018 €	The group 2017 €	The company 2018 €	The company 2017 €
Other income	-	15,329	-	-
Interest income from related parties	12,776	7,388	-	-
Interest income on loans receivable	-	1,289	35,259	26,054
	12,776	24,006	35,259	26,054

10 Finance costs

	The group 2018 €	The group 2017 €	The company 2018 €	The company 2017 €
Interest on bank overdraft	26,438	25,340	-	-
Interest payable to related parties	25,105	21,970	-	2,890
	51,543	47,310	-	2,890

11 Profit before tax

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

	The group 2018 €	The group 2017 €	The company 2018 €	The company 2017 €
Depreciation and amortisation	387,958	216,125	13,271	13,440
Auditor's remuneration	25,508	24,001	7,200	1,600
Provision for bad debts	161,650	110,706	-	-
Net exchange differences	(27,039)	3,630	-	-

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

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 € 7,200 (2017: € 6,700) and the remuneration payable in respect of the audits of the undertakings included in the consolidated financial statements amounted to € 25,508 (2017: € 22,401). Other fees payable to the parent company's auditors for non-audit services, namely tax services, amounted to € 8,380 (2017: € 7,800).

12 Key management personnel compensation

	The group 2018 €	The group 2017 €	The company 2018 €	The company 2017 €
Directors' compensations				
<i>Short term benefits:</i>				
Fees				
Management remuneration	100,000	276,984	100,000	200,170
Value of services provided by an officer of the group	38,441	160,303	38,441	160,303
	138,441	437,287	138,441	360,473
Directors' compensations				
<i>Short term benefits:</i>				
Salaries and social security contributions	526,956	468,374	219,982	130,950
Total key management personnel compensation				
Short term benefits	665,397	905,661	358,423	491,423

12.1 Share-based payments

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

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

Share options for the reporting period presented are as follows:

	Number of share options 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 31 December 2018	1,094,917

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

	Options vested in 2016
Grant date	24 October 2016
Volatility	0.42
Option life	8 years
Dividend yield	10.83%
Risk-free investment rate	1.4%
Fair value of the option at 31 December 2018	€ 0.141
Exercise price at grant date (€)	€ 1.36
Exercisable from / to	24 October 2016 / 23 October 2024

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

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

Statements of profit or loss and other comprehensive income

	The group 2018 €	The group 2017 €	The company 2018 €	The company 2017 €
Administrative costs	38,441	160,303	38,441	160,303

Statements of financial position

	The group 2018 €	The group 2017 €	The company 2018 €	The company 2017 €
Non-current assets				
Payable to parent company	(38,441)	(160,303)	(38,441)	(160,303)

13 Employee remuneration

Expenses recognised for staff costs are analysed below:

	The group 2018 €	The group 2017 €	The company 2018 €	The company 2017 €
Wages and salaries	4,468,207	4,101,470	312,988	495,363
Social security costs	265,495	279,220	6,994	20,894
Maternity fund contributions	6,562	8,064	-	-
	4,740,264	4,388,754	319,982	516,257
Capitalised Wages	(96,273)	-	-	-
Recharges to related parties	-	(37,393)	-	-
	4,643,991	4,351,361	319,982	516,257

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

	The group 2018 No	The group 2017 No	The company 2018 No	The company 2017 No
Operations	90	89	-	-
Administration	36	52	4	13
	126	141	4	13

14 Tax expense

The major components of tax expense and the reconciliation of the expected tax income (expense) based on the effective tax rate of the group and the company at 35% (2017: 35%) and the reported tax expense in the income statement are as follows:

	The group 2018 €	The group 2017 €	The company 2018 €	The company 2017 €
Profit before tax	928,645	886,200	1,346,653	714,402
Tax rate	35%	35%	35%	35%
Expected tax expense	(325,026)	(310,170)	(471,329)	(250,041)
Tax effect of:				
Adjustment for adoption of IFRS 15	21,654	-	-	-
Income not chargeable to tax	67,393	(54,440)	85,611	133,791
Loss on discontinued operations	-	1,746	-	-
Disallowable expenses	(114,202)	(174,677)	(113,283)	(207,458)
Permanent differences	2,212	(19,096)	2,204	-
Actual tax expense, net	(347,969)	(556,637)	(496,797)	(323,708)
Comprising:				
Current tax expense	(381,205)	(489,828)	(502,421)	(327,186)
Over provision of current tax in prior year	-	1,612	-	-
Deferred tax credit / (expense)	33,236	(80,801)	5,624	3,478
Under provision of deferred tax in prior year	-	12,380	-	-
	(347,969)	(556,637)	(496,797)	(323,708)

Refer to note 33 for information on the deferred tax movements of the group and the company.

15 Dividends

A dividend of €750,000 (€0.66 per share) was proposed and paid for 2018 (2017: 1,000,000 (€ 0.88 per share)).

16 Goodwill

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

	The group €
At 1 January 2017	7,525,213
Impairment of goodwill	(31,726)
At 31 December 2017	7,493,487
At 1 January 2018	7,493,487
At 31 December 2018	7,493,487
Carrying amount	
At 31 December 2017	7,493,487
At 31 December 2018	7,493,487

Amounts recognised as goodwill were based on predecessor accounting principles.

17 Intangible assets – The group

	The group €
Gross carrying amount	
At 1 January 2017	1,155,874
Additions	407,202
At 31 December 2017	1,563,076
At 1 January 2018	1,563,076
Additions	398,019
At 31 December 2018	1,961,095
Amortisation	
At 1 January 2017	320,448
Provision for the year	105,153
At 31 December 2017	425,601
At 1 January 2018	425,601
Provision for the year	285,591
At 31 December 2018	711,192
Carrying amount	
At 31 December 2017	1,137,475
At 31 December 2018	1,249,903

The amortisation charge was included in administrative expenses.

Intangible assets include separately identified intangible assets acquired during 2014 as part of the business combinations.

These intangible assets relate to APCO's payment gateway system amounting to € 1,000,000. The useful life of this asset was considered to be finite due to possible technological obsolescence and is being amortised on a straight line basis. Until 31 December 2014, the group was amortising the intangible asset over 3 years. Following the knowledge generated, the group re-assessed the remaining useful life of the asset to be 10 years. Had the group not-reassessed the remaining useful life, the additional amortisation for the years 2015,

2016 and 2017 would have amounted to € 233,000 annually more. This asset would have been fully amortised by 31 December 2017 had the group not re-assessed the remaining useful life. As from 2018, the yearly amortisation on this asset amounts to € 89,855. The amortisation charge for the year is included within administrative expenses.

Intangible assets – The company

	The company €
Gross carrying amount	
At 1 January 2017	10,500
Additions	18,885
At 31 December 2017	29,385
At 1 January 2018	29,385
At 31 December 2018	29,385
Amortisation	
At 1 January 2017	3,500
Provision for the year	9,794
At 31 December 2017	13,294
At 1 January 2018	13,294
Provision for the year	9,793
At 31 December 2018	23,087
Carrying amount	
At 31 December 2017	16,091
At 31 December 2018	6,298

The amortisation charge was included in administrative expenses.

18 Property, plant and equipment – The group

	Office and computer equipment €	Motor vehicles €	Furniture, fixtures and fittings €	Total €
Cost				
At 1 January 2017	697,923	50,980	517,233	1,266,136
Additions	72,369	-	33,501	105,870
At 31 December 2017	770,292	50,980	550,734	1,372,006
At 1 January 2018	770,292	50,980	550,734	1,372,006
Additions	45,518	-	22,330	67,848
Disposals for the year	-	(50,980)	-	(50,980)
At 31 December 2018	815,810	-	573,064	1,388,874
Depreciation				
At 1 January 2017	615,449	38,131	270,108	923,688
Charge for the year	66,196	2,570	42,206	110,972
At 31 December 2017	681,645	40,701	312,314	1,034,660
At 1 January 2018	681,645	40,701	312,314	1,034,660
Charge for the year	58,049	(40,701)	44,318	102,367
Released on disposal	-	-	-	(40,701)
At 31 December 2018	739,694	-	356,632	1,096,326
Carrying amount				
At 31 December 2017	88,647	10,279	238,420	337,346
At 31 December 2018	76,116	-	216,432	292,548

Plant and equipment – The company

The following are the plant and equipment of the company:

	The company
	€
Gross carrying amount	
At 1 January 2017	6,707
Additions	4,231
At 31 December 2017	10,938
At 1 January 2018	10,938
Additions	532
At 31 December 2018	11,470
Amortisation	
At 1 January 2017	2,560
Provision for the year	3,646
At 31 December 2017	6,206
At 1 January 2018	6,206
Provision for the year	3,478
At 31 December 2018	9,684
Carrying amount	
At 31 December 2017	4,732
At 31 December 2018	1,786

The depreciation charge was included in administrative expenses.

19 Investment in subsidiaries

19.1 The company

	2018	2017
	€	€
At 1 January	11,122,921	11,119,723
Additional investments	-	3,198
Transfer of investments to a company within the group	(1,199)	-
At 31 December	11,121,722	11,122,921

During 2017, the company acquired 99.99% of the shares of Eunoia Limited from one of its own subsidiaries. It also formed a new company, Stride Technology Ltd, holding 99.99% of its share capital at the end of 2017. Stride Technology was merged into PTL Limited during 2018.

19.2 The group

Harvest Technology Limited has investments in the following subsidiaries:

Name of subsidiary	Place of incorporation	Proportion ownership interest		Holding	Portion voting power held		Principal activity
		2018 %	2017 %		2018 %	2017 %	
PTL Limited	Malta	99.99	99.99	Direct	100	100	Sale of IT solutions and security systems
APCO Limited	Malta	99.99	99.99	Direct	100	100	Sale of IT solutions and security systems
APCO Systems Limited	Malta	99.99	99.99	Direct	100	100	Sale of IT solutions and security systems
Ipsyon Ltd	Malta	99.99	99.99	Direct	100	100	Holding of intellectual property
Eunoia Ltd	Malta	99.99	99.99	Direct	100	100	Sale of software
Stride Technology Ltd (merged within PTL Ltd)	Malta	-	99.99	Direct	-	100	Sale of software
Poang Limited	Malta	100	50	Direct	100	50	Software development

Information about direct subsidiaries of the company is as follows:

Name of company	Registered office	Capital and reserves at 31 December		Profit/(loss) for the year ended 31 December	
		2018 €	2017 €	2018 €	2017 €
PTL Limited	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta	544,534	491,648	226,667	58,621
APCO Limited	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta	65,873	92,090	101,283	122,361
APCO Systems Limited	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta	1,147,104	1,396,232	750,872	651,708
Ipsyon Ltd	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta	18,825	123,531	295,294	220,545
Eunoia Ltd	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta	(204,538)	(91,249)	(113,289)	(93,249)

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Name of company	Registered office	Capital and reserves at 31 December		Profit/(loss) for the year ended 31 December	
		2018 €	2017 €	2018 €	2017 €
Stride Technology Ltd	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta	Not applicable	22,497	Not applicable	21,297
Poang Limited	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta	45,303	211,991	(166,688)	(189,209)

20 Investments accounted for using the equity method

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

	The group 2018 €	The group 2017 €
Investment in associates	-	-
Investment in joint venture	-	305,396
Total	-	305,396

20.1 Investment in associates

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

	The group 2018 €	The group 2017 €
At 1 January	-	383,487
Disposals	-	(383,487)
At 31 December	-	-

During 2017, the investment in Smart Technology Limited that was indirectly owned by Harvest Technology Limited was disposed of. The loss on sale of Smart Technology Limited amounted to € 253,438.

20.2 Investment in joint ventures

	The group 2018 €	The group 2017 €	The company 2018 €	The company 2017 €
At 1 January	305,396	70,484	470,484	70,484
Additions	-	400,000	-	400,000
Impairment of investment in joint ventures	-	-	(407,335)	-
Share of losses	-	(94,604)	-	-
Transfer to investment in subsidiaries	(305,396)	(70,484)	-	-
At 31 December	-	305,396	63,149	470,484

The group has investment in joint ventures through Harvest Technology Limited as follows:

Name of company	Proportion of ownership interest		Capital and reserves at 31 December		Profit/(loss) for the year ended 31 December	
	2018 %	2017 %	2018 €	2017 €	2018 €	2017 €
Hili Salomone Limited	50	50	(3,200)	(3,200)	-	-
Poang Limited	-	50	-	211,991	-	(189,209)

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

During 2018, the investment in Hili Salomone Company Limited amounting to € 70,484 was impaired in full. The loss on such investment was borne by the parent company.

On 23 March 2017, Harvest Technology Limited acquired 50% of the share capital of Poang Limited, a company focusing on software application development.

During 2018, Harvest Technology Limited acquired the remaining 50% of the share capital of Poang Limited. As a result, the latter became a fully owned subsidiary of Harvest Technology Limited and the corresponding investment was transferred to investment in subsidiaries.

21 Other investment

	The group 2018 €	The group 2017 €	The company 2018 €	The company 2017 €
As at 1 January	50,000	-	50,000	-
Addition	-	50,000	-	50,000
As at 31 December	50,000	50,000	50,000	50,000

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

22 Loans and receivables

	The group 2018 €	The group 2017 €	The company 2018 €	The company 2017 €
Loans receivable from ultimate parent	377,504	1,208,690	377,504	306,108
Loans receivable from parent company	686,498	12,176	674,321	902,581
Loans from subsidiaries	-	-	150,000	150,000
Loan receivable from joint venture	-	767,654	-	697,172
	1,064,002	1,988,520	1,201,825	2,055,861
Comprising:				
Non-current				
Loans receivable from ultimate parent	377,504	1,208,690	377,504	306,108
Loans receivable from parent company	686,498	12,176	674,321	902,581
Loans from subsidiaries	-	-	150,000	150,000
	1,064,002	1,220,866	1,201,825	1,358,689
Current				
Loan receivable from joint venture	-	767,654	-	697,172
	-	767,654	-	697,172

Loans issued to subsidiaries, parent and ultimate parent bear an interest of 4.5% per annum (2017: 4.5% per annum). Though these loans have no fixed date for repayment, they are not expected to be realized within 12 months of the end of the reporting year. Loans to joint venture are interest free and are expected to be settled within 12 months of balance sheet date.

23 Inventories

	The group 2018 €	The group 2017 €	The company 2018 €	The company 2017 €
Raw materials and consumables	-	1,782	-	-
Finished goods and goods held for resale	739,513	710,705	-	-
	739,513	712,487	-	-

The amount of inventories recognised as an expense during the year amounted to € 5,503,473 (2017: € 4,567,896).

Write-downs of inventories recognised in the statement of profit or loss and other comprehensive income during the year amounted to € 19,839 (2017: € 87,872) and are included with cost of sales.

24 Other assets

	The group 2018 €	The group 2017 €	The company 2018 €	The company 2017 €
Assets recognised from costs to fulfil contracts	197,698	-	-	-
Prepayments	106,728	104,411	1,685	36,332
	304,426	104,411	1,685	36,332

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

25 Trade and other receivables

Trade and other receivables consist of the following:

	The group 2018 €	The group 2017 €	The company 2018 €	The company 2017 €
Trade receivables – gross	4,362,311	2,389,627	-	848
Provision for impairment	(527,129)	(395,479)	-	-
Trade receivables – net	3,835,182	1,994,148	-	848
Amounts owed by parent	1,090,629	1,228,949	117,534	117,534
Amounts owed by subsidiaries	775,498	-	1,798,771	682,177
Amounts owed by joint venture	-	1,180	-	1,180
Other receivables	62,673	-	-	-
Amounts owed by related parties	51,404	607,375	442,916	439,105
Accrued income	4,145	1,147,521	-	-
Financial assets	5,819,531	4,979,173	2,359,221	1,240,844
Other receivables	107,535	124,552	41,699	40,948
Trade and other receivables – current	5,927,066	5,103,725	2,400,920	1,281,792

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

No interest is charged on trade and other receivables.

Trade and other receivables are stated net of an allowance for estimated irrecoverable amounts from trade receivables amounting to € 527,129 (2017: € 395,479). Movements in provisions for bad and doubtful receivables are included with administrative expenses amounting to € 161,650 (2017: € 110,706).

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

Note 39.2 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses. The above comparative for impairment provisions refers to the IAS 39 measurement basis which applied an incurred loss model, whereas the current year applies IFRS 9 which is an expected loss model.

26 Cash and cash equivalents

Cash and cash equivalents include the following component:

	The group 2018 €	The group 2017 €	The company 2018 €	The company 2017 €
Cash and bank balances	990,097	994,149	242,704	4,555
Cash and cash equivalents in the statements of financial position	990,097	994,149	242,704	4,555
Bank overdrafts	(734,679)	(615,131)	-	-
Cash and cash equivalents in the statements of cash flows	255,418	379,018	242,704	4,555

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

27 Share capital

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

	2018 €	2017 €
Shares issued and fully paid at 31 December		
11,390,318 (2017: 11,390,318) ordinary shares of € 1 each	11,390,318	11,390,318
Shares authorised at 31 December		
35,000,000 (2017: 35,000,000) ordinary shares of € 1 each	35,000,000	35,000,000

28 Other equity

	The group 2018 €	The group 2017 €
Other equity	<u>2,821,365</u>	<u>2,821,365</u>

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

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

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

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

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

29 Borrowings

	The group 2018 €	The group 2017 €	The company 2018 €	The company 2017 €
Bank overdrafts	734,679	615,131	-	-
Bank loans	300,000	-	-	-
	1,034,679	615,131	-	-
Comprising:				
Non-current liabilities				
Bank loans	100,000	-	-	-
	100,000	-	-	-
Current liabilities				
Bank overdrafts	734,679	615,131	-	-
Bank loans	200,000	-	-	-
	934,679	615,131	-	-

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

Bank overdrafts and loans are repayable as follows:

	The group 2018 €	The group 2017 €	The company 2018 €	The company 2017 €
On demand or within one year	934,679	615,131	-	-
In the second year	100,000	-	-	-
	1,034,679	615,131	-	-

The bank loan at 31 December 2018 is secured by a general hypothec for € 300,000 over the assets of Ipsyon Limited and an assignment of royalties receivable.

30 Trade and other payables

	The group 2018 €	The group 2017 €	The company 2018 €	The company 2017 €
Trade payables	726,538	1,143,533	49,564	64,511
Amounts payable to related parties	53,467	45,295	-	-
Other payables	121,106	42,357	29,574	121
Accrued expenses	1,211,542	644,080	40,006	44,081
Financial liabilities	2,112,653	1,875,265	119,144	108,713
Other creditors	578,009	495,078	26,285	34,793
Deferred income	-	1,434,592	-	-
Trade and other payables	2,690,662	3,804,935	145,429	143,506
Comprising:				
Current payables				
Trade and other payables	2,690,662	3,804,935	145,429	143,506
	2,690,662	3,804,935	145,429	143,506

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

No interest is charged on trade and other payables.

31 Contract liabilities

	The group 2018 €	The group 2017 €
Deferred service income on rendering of services and development	85,161	-
Deferred service income on maintenance, support and servicing	1,369,088	-
Deferred service income on other gateway income and access fees	114,070	-
Deferred service income on licences	23,462	-
	1,591,781	-

Deferred service income represent customer payments received or due in advance of performance (contract liabilities) that are expected to be recognised as revenue in 2019. As described in note 4.11, maintenance, servicing and support contracts are entered into for periods between 1 and 3 years. On the other hand, consultancy and development of IT systems are usually completed within 12 months. Nevertheless, the company may occasionally have projects for consultancy and development of IT systems that span over more than 12 months. Contracts for the latter revenue source are however expected to be completed within 2019.

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. Any deferred service income occurring in one month is immediately recognised as revenue in the following month.

Deferred service income on licences is expected to be recognised as revenue in 2019.

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

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

32 Other financial liabilities

	The group 2018 €	The group 2017 €	The company 2018 €	The company 2017 €
Amounts owed to parent	4,214,968	3,843,974	3,812,704	3,547,429
Amounts owed to jointly controlled entities	3,673	3,673	3,673	3,673
Amounts owed to related parties	273,720	226,363	26,811	11,563
Amounts owed to subsidiaries	-	-	-	155,985
Amounts owed to associates and JVs	-	208,843	90	208,843
Amounts owed to a shareholder	12,475	6,908	5,486	2,581
	4,504,836	4,289,761	3,848,764	3,930,074
Comprising:				
Long term liabilities				
Amounts owed to parent	2,132,974	1,867,700	2,132,975	1,867,700
	2,132,974	1,867,700	2,132,975	1,867,700
Current liabilities				
Amounts owed to parent	2,081,994	1,976,274	1,679,729	1,679,729
Amounts owed to jointly controlled entities	3,673	3,673	3,673	3,673
Amounts owed to related parties	273,720	226,363	26,811	11,563
Amounts owed to subsidiaries	-	-	-	155,985
Amounts owed to associates and JVs	-	208,843	90	208,843
Amounts owed to a shareholder	12,475	6,908	5,486	2,581
	2,371,862	2,422,061	1,715,789	2,062,374

The terms and conditions of amounts owed to the parent and other related parties are disclosed in note 36.

33 Deferred tax assets

Deferred tax arising from temporary differences for the group are summarised as follows:

The group	1 Jan 2018 €	Recognised in profit and loss €	31 Dec 2018 €
Deferred tax assets arising on:			
Property, plant and equipment	-	24,348	24,348
Unabsorbed capital allowances	11,042	13,325	24,367
Unabsorbed tax losses	-	12,759	12,759
Provisions	273,573	(11,323)	262,250
Total	284,615	39,109	323,724
Deferred tax liabilities arising on:			
Intangible assets	(261,157)	(11,915)	(273,072)
Property, plant and equipment	(6,042)	6,042	-
Total	(267,199)	(5,873)	(273,072)

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Deferred taxes for the comparative period 2017 can be summarised as follows:

	1 Jan 2017 €	Recognised in profit and loss €	31 Dec 2017 €
Deferred tax assets arising on:			
Unabsorbed capital allowances	21,995	(10,953)	11,042
Unabsorbed tax losses	99,004	(99,004)	-
Provisions	284,683	(11,110)	273,573
Total	405,682	(121,067)	284,615
Deferred tax liabilities arising on:			
Intangible assets	(309,072)	47,915	(261,157)
Property, plant and equipment	1,607	(7,649)	(6,042)
Total	(307,465)	40,266	(267,199)

Deferred tax arising from temporary differences for the company are summarised as follows:

The company	1 Jan 2018 €	Recognised in profit and loss €	31 Dec 2018 €
Deferred tax assets arising on:			
Property, plant and equipment	1,247	3,140	4,387
Unabsorbed capital allowances	4,547	2,484	7,031
Provisions	1,866	-	1,866
Total	7,660	5,624	13,284

Deferred taxes for the comparative period 2017 can be summarised as follows:

The company	1 Jan 2017 €	Recognised in profit and loss €	31 Dec 2017 €
Deferred tax assets arising on:			
Property, plant and equipment	236	1,011	1,247
Unabsorbed capital allowances	2,080	2,467	4,547
Provisions	1,866	-	1,866
Total	4,182	3,478	7,660

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

34 Cash flow adjustments and changes in working capital

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

	The group 2018 €	The group 2017 €	The company 2018 €	The company 2017 €
Adjustments:				
Depreciation and amortisation	387,958	216,125	13,271	13,440
Impairment of goodwill	-	31,726	-	-
Dividends receivable	-	-	(2,218,290)	(1,650,583)
Movement in provision for doubtful debts	131,650	110,706	-	-
Profit on disposal of PPE	(5,608)	-	-	-
Loss on disposal of associate undertaking	-	253,438	-	253,438
Impairment of investment in joint venture	-	-	282,842	-
Share of losses in joint ventures	-	94,604	-	-
Stock written off	19,839	87,872	-	-
Interest payable	51,543	47,310	-	2,890
Dividends receivable from associates	-	(326,071)	-	-
Interest income	(12,776)	(8,677)	(35,259)	(26,054)
	572,606	507,033	(1,957,436)	(1,406,869)
Working capital:				
Change in inventories	(46,865)	(156,324)	-	-
Change in trade and other receivables	(2,121,933)	(1,397,177)	444,218	398,095
Change in trade and other payables	382,902	51,312	1,923	(42,339)
	(1,785,896)	(1,502,189)	446,141	355,756

35 Reconciliation of liabilities arising from financing activities

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 from financing activities.

The group	Notes	Balance at 31 December 2017 €	Cash flows €	Other non- cash changes €	Balance at 31 December 2018 €
Amounts owed to parent	32	3,843,974	345,889	25,105	4,214,968
Amounts owed to jointly controlled entities	32	3,673	-	-	3,673
Amounts owed to related parties	32	226,363	47,357	-	273,720
Amounts owed to associates and JVs	32	208,843	(208,843)	-	-
Amounts owed to a shareholder	32	6,908	5,567	-	12,475
		4,289,761	189,970	25,105	4,504,836

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

The group	Notes	Balance at 31 December 2016 €	Cash flows €	Other non- cash changes €	Balance at 31 December 2017 €
Amounts owed to parent	32	-	3,822,004	21,970	3,843,974
Amounts owed to jointly controlled entities	32	3,673	-	-	3,673
Amounts owed to related parties	32	1,499,067	(1,272,704)	-	226,363
Amounts owed to associates and JVs	32	-	208,843	-	208,843
Amounts owed to a shareholder	32	-	6,308	600	6,908
		1,502,740	2,764,451	22,570	4,289,761

The tables below details the company's liabilities arising from financing activities.

The company	Notes	Balance at 31 December 2017 €	Cash flows €	Other non- cash changes €	Balance at 31 December 2018 €
Amounts owed to parent	32	3,547,429	335,759	(70,484)	3,812,704
Amounts owed to jointly controlled entities	32	3,673	-	-	3,673
Amounts owed to related parties	32	11,563	15,248	-	26,811
Amounts owed to subsidiaries	32	155,985	(155,985)	-	-
Amounts owed to associates and JVs	32	208,843	(154,744)	(54,009)	90
Amounts owed to a shareholder	32	2,581	2,905	-	5,486
		3,930,074	43,183	(124,493)	3,848,764

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

The company	Notes	Balance at 31 December 2016 €	Cash flows €	Other non- cash changes €	Balance at 31 December 2017 €
Amounts owed to parent	32	3,330,013	217,416	-	3,547,429
Amounts owed to jointly controlled entities	32	3,673	-	-	3,673
Amounts owed to related parties	32	-	11,563	-	11,563
Amounts owed to subsidiaries	32	255,584	(99,599)	-	155,985
Amounts owed to associates and JVs	32	-	208,843	-	208,843
Amounts owed to a shareholder	32	-	2,581	-	2,581
		3,589,270	340,804	-	3,930,074

36 Related party transactions

Harvest Technology Limited is the parent company of the subsidiary undertakings highlighted in note 19. The parent company of Harvest Technology Limited is 1923 Investments p.l.c. which is incorporated in Malta. The ultimate parent of the group is Hili Ventures Limited. The registered office of 1923 Investments p.l.c. and Hili Ventures Limited, is Nineteen Twenty Three, Valetta Road, Marsa, MRS 3000, Malta. Both entities draw up consolidated financial statements with 1923 Investments p.l.c. incorporating the results of Harvest Technology Limited group. All consolidated financial statements may be obtained from the abovementioned registered address.

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

The group	2018			2017		
	Related party activity €	Total activity €	%	Related party activity €	Total activity €	%
Revenue:						
Related party transactions with:						
Ultimate parent	95,949			-		
Parent company	143,962			-		
Other related parties	274,730			323,102		
	<u>514,641</u>	<u>15,568,699</u>	<u>3</u>	<u>323,102</u>	<u>13,086,973</u>	<u>2</u>
Cost of sales:						
Related party transactions with:						
Ultimate parent	(55,848)			-		
Parent company	(143,508)			-		
Other related parties	(36,873)			(26,527)		
	<u>(236,229)</u>	<u>(9,887,672)</u>	<u>2</u>	<u>(26,527)</u>	<u>(8,504,885)</u>	<u>0</u>
Administrative expenses:						
Related party transactions with:						
Ultimate parent	(20,236)			-		
Parent company	(655,469)			(431,375)		
Other related parties	(353,305)			(296,293)		
	<u>(1,029,010)</u>	<u>(4,731,235)</u>	<u>22</u>	<u>(727,668)</u>	<u>(3,635,816)</u>	<u>20</u>
Interest income:						
Related party transactions with:						
Ultimate parent	12,776	12,776		7,388		
	<u>12,776</u>	<u>12,776</u>	<u>100</u>	<u>7,388</u>	<u>7,388</u>	<u>100</u>
Finance cost:						
Related party transactions with:						
Parent company	(14,403)			-		
Other related parties	(10,702)			(21,970)		
	<u>(25,105)</u>	<u>(51,543)</u>	<u>49</u>	<u>(21,970)</u>	<u>(47,310)</u>	<u>46</u>

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The company	2018			2017		
	Related party activity €	Total activity €	%	Related party activity €	Total activity €	%
Revenue:						
Related party transactions with:						
Subsidiaries	443,492			512,496		
	443,492	443,492	100	512,496	512,621	99
Administrative expenses:						
Related party transactions with:						
Parent company	530,000			420,000		
Subsidiaries	24,864			-		
	554,864	1,350,388	41	420,000	1,222,528	34
Interest income:						
Related party transactions with:						
Parent company	5,714			630		
Subsidiaries	29,545			6,973		
	35,259	35,259	100	7,603	26,054	29
Finance cost:						
Related party transactions with:						
Subsidiaries	-			2,890		
	-	-	-	2,890	2,890	100

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

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

The share of profit/loss on associate and joint ventures is disclosed in note 20. Key management personnel compensation is disclosed in note 12. Dividend income is disclosed in note 8.

The amounts due to/from other related parties at period-end are disclosed in notes 22, 25, 30 and 32. The terms and conditions in respect of the related party balances do not specify the nature of the consideration to be provided in settlement. No guarantees have been given or received.

The amounts owed to the group by related parties as disclosed in note 22 are unsecured and bear interest at 4.5% (2017: 4.5%). The amounts due in note 25 are unsecured, interest free and repayable on demand.

The group's other financial liabilities disclosed in note 32 are unsecured, and bear interest at 4.5% (2017: 4.5%). The company's other financial liabilities disclosed in note 32 are unsecured, and bear interest at 4.5% (2017: 4.5%).

As disclosed in notes 19 and 20, the company through its direct subsidiaries acquired a number of subsidiaries, associates and joint ventures. Contingent liabilities and guarantees are disclosed in note 38.

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.

37 Operating leases

	The group 2018 €	The group 2017 €
Minimum lease payments recognised as an expense for the year	212,507	172,735
	<u>212,507</u>	<u>172,735</u>

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

	The group 2018 €	The group 2017 €
Within one year	240,614	234,236
Between two and five years	993,422	674,054
More than five years	1,379,700	834,054
	<u>2,613,736</u>	<u>1,742,344</u>

38 Contingent liabilities

At the end of the reporting period, one of the group's subsidiaries had issued guarantees amounting to € 600,000 (2017: € 700,000) in relation to bank facilities granted to related undertakings. The same subsidiary also had guarantees amounting to € 504,000 (2017: € 1,267,700) granted to third parties as collateral for liabilities.

39 Financial instrument risk

Risk management objectives and policies

The group is exposed to various risks in relation to financial instruments. The group's financial assets and liabilities by category are summarised in note 39.4. The main types of risks are market risk, credit risk and liquidity risk.

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

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

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

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

39.1 Market risk analysis

Foreign currency risk

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

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

Interest rate risk

The group and the company have loans and receivables with a fixed coupon as disclosed in note 22 and 36, and cash at bank with a floating coupon as disclosed in note 26. The group has taken out interest bearing facilities as disclosed in notes 29 and 32. The interest rates thereon and the terms of such borrowings are disclosed accordingly. The group also has loans and receivables and cash at bank with interest rates as disclosed in notes 22, 26 and 36.

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

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

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

39.2 Credit risk analysis

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

	Notes	The group 2018 €	The group 2017 €	The company 2018 €	The company 2017 €
Classes of financial assets - carrying amounts:					
Loans and receivables	22	1,064,002	1,988,520	1,201,825	2,055,861
Trade and other receivables	25	5,819,531	4,979,173	2,359,221	1,240,844
Cash and cash equivalents	26	990,097	994,149	242,704	4,555
		7,873,630	7,961,842	3,803,750	3,301,260

Credit risk management

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

Loans and receivables and certain trade receivables comprise amounts due from related parties. The group and company's concentration to credit risk arising from these receivables are considered limited as there were no indications that these counterparties are unable to meet their obligations. Management considers these to be of good credit quality. Management does not consider loans and receivables to have deteriorated

in credit quality and the effect of management's estimate of the 12-month credit loss has been determined to be insignificant to the results of the group and the company.

The group and the company hold money exclusively with institutions having high quality external credit ratings. The cash and cash equivalents held with such banks at 31 December 2018 and 2017 are callable on demand. One of the banks with whom cash and cash equivalents are held forms part of an international group with an A credit rating by Standard and Poor's and similar high ratings by other agencies. The group also holds cash with a local bank having a credit rating of BBB by Standard and Poor's. Cash held by the group with other local banks for which no credit rating is available are not significant. Management considers the probability of default from such banks to be close to zero and the amount calculated using the 12-month expected credit loss model to be very insignificant. Therefore, based on the above, no loss allowance has been recognised by the group and the company.

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

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

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

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

Trade receivables consist of a large number of customers in various industries and mainly in Malta.

Security

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the group's and the company's maximum exposure to credit risk, without taking account of the value of the collateral obtained. Guarantees are disclosed in notes 29 and 38.

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

Trade receivables

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

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

The expected loss rates are based on the payment profile for sales over the past 36 months before 31 December 2018 and 1 January respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. The group has identified gross domestic product (GDP) and unemployment rates of the countries in which the customers are domiciled to be the most relevant factors and accordingly adjusts historical loss rates for expected changes in these factors. However given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

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

On the above basis the expected credit loss for trade receivables as at 31 December 2018 and 1 January 2018 was determined as follows:

31 December 2018	Current	More than 30 days	More than 60 days	More than 90 days	Total
Expected credit loss rate (%)	0.64 %	1.75 %	3.93 %	38.59 %	
Gross carrying amount (€)	2,165,706	646,077	278,291	1,272,237	4,362,311
Lifetime expected credit loss	13,905	11,305	10,947	490,972	527,129
1 January 2018	Current	More than 30 days	More than 60 days	More than 90 days	Total
Expected credit loss rate (%)	0.99 %	1.91%	5 %	61.15 %	
Gross carrying amount (€)	1,060,913	387,432	352,609	588,673	2,389,627
Lifetime expected credit loss	10,489	7,389	17,639	359,963	395,479

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 2018 reconciles with the trade receivables loss allowance opening balance as follows:

	The group 2018 €	The group 2017 €
Opening loss allowance as at 1 January (under IAS 39 and IFRS 9)	395,479	482,740
Loss allowance recognised (released) during the year	131,650	(87,261)
Loss allowance as at 31 December	527,129	395,479

39.3 Liquidity risk

The group and company's exposure to liquidity risk arises from its obligations to meet its financial liabilities, which comprise borrowings, trade and other payables and other financial liabilities (see notes 29, 30 and 32). Prudent liquidity risk management includes maintaining sufficient cash to ensure the availability of an adequate amount of funding to meet the group's and company's obligations when they become due.

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

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

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

The group

31 December 2018	On demand or within 1 year	1 - 2 years	2 - 5 years	More than 5 years	Total
Non-derivative financial liabilities					
Non-interest bearing	2,112,653	-	-	-	2,112,653
Fixed rate instruments	2,571,862	2,232,974	-	-	4,804,836
Variable-rate instruments	734,679	-	-	-	734,679
	5,419,194	2,232,974	-	-	7,652,168

This compares to the maturity of the group's non-derivative financial liabilities in the previous reporting periods as follows:

31 December 2017	On demand or within 1 year	1 - 2 years	2 - 5 years	More than 5 years	Total
Non-derivative financial liabilities					
Non-interest bearing	1,875,265	-	-	-	1,875,265
Fixed rate instruments	2,422,061	-	-	1,867,700	4,289,761
Variable-rate instruments	615,131	-	-	-	615,131
	4,912,457	-	-	1,867,700	6,780,157

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The company

	On demand or within 1 year	1 - 2 years	2 - 5 years	More than 5 years	Total
31 December 2018					
Non-derivative financial liabilities					
Non-interest bearing	119,144	-	-	-	119,144
Fixed rate instruments	1,715,789	-	-	2,132,975	3,848,764
	<u>1,834,933</u>	<u>-</u>	<u>-</u>	<u>2,132,975</u>	<u>3,967,908</u>
	On demand or within 1 year	1 - 2 years	2 - 5 years	More than 5 years	Total
31 December 2017					
Non-derivative financial liabilities					
Non-interest bearing	108,713	-	-	-	108,713
Fixed rate instruments	2,062,374	-	-	1,867,700	3,930,074
	<u>2,171,087</u>	<u>-</u>	<u>-</u>	<u>1,867,700</u>	<u>4,038,787</u>

39.4 Summary of financial assets and liabilities by category

The carrying amounts of the group's financial assets and liabilities as recognised at the end of the reporting period may also be categorised as follows. See note 4.22 for explanations about how the category of financial instruments affects their subsequent measurement.

	The group 2018 €	The group 2017 €	The company 2018 €	The company 2017 €
Non-current assets				
Loans and receivables	1,064,002	1,220,866	1,201,825	1,358,689
Current assets				
Loans and receivables	-	767,654	-	697,172
Trade and other receivables	5,819,531	4,979,173	2,359,221	1,240,844
Cash and cash equivalents	990,097	994,149	242,704	4,555
	<u>6,809,628</u>	<u>6,740,976</u>	<u>2,601,925</u>	<u>1,942,571</u>
Non-current liabilities				
Borrowings	100,000	-	-	-
Other financial liabilities	2,132,974	1,867,700	2,132,975	1,867,700
	<u>2,232,974</u>	<u>1,867,700</u>	<u>2,132,975</u>	<u>1,867,700</u>
Current liabilities				
Financial liabilities measured at amortised cost:				
Borrowings	934,679	615,131	-	-
Trade and other payables	2,112,653	1,875,265	119,144	108,713
Other financial liabilities	2,371,862	2,422,061	1,715,789	2,062,374
	<u>5,419,194</u>	<u>4,912,457</u>	<u>1,834,933</u>	<u>2,171,087</u>

39.5 Financial instruments measured at fair value

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

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

At 31 December 2018 and 2017, the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively approximated their fair values due to the short-term maturities of these assets and liabilities.

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

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

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

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

The group

31 December 2018	Level 1	Level 2	Level 3	Total	Carrying amount
	€	€	€	€	€
Financial assets					
Loans and receivables					
Receivables from related parties	-	1,064,002	-	1,064,002	1,064,002
	-	1,064,002	-	1,064,002	1,064,002
Financial liabilities at amortised cost					
Related party loans	-	4,504,836	-	4,504,836	4,504,836
Bank overdraft and loans	-	1,034,679	-	1,034,679	1,034,679
	-	5,539,515	-	5,539,515	5,539,515

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31 December 2017	Level 1 €	Level 2 €	Level 3 €	Total €	Carrying amount €
Financial assets					
Loans and receivables					
Receivables from related parties	-	1,988,520	-	1,988,520	1,988,520
	-	1,988,520	-	1,988,520	1,988,520
Financial liabilities at amortised cost					
Related party loans	-	4,289,761	-	4,289,761	4,289,761
Bank overdraft	-	615,131	-	615,131	615,131
	-	4,904,892	-	4,904,892	4,904,892

The company

31 December 2018	Level 1 €	Level 2 €	Level 3 €	Total €	Carrying amount €
Financial assets					
Loans and receivables					
Receivables from related parties	-	1,201,825	-	1,201,825	1,201,825
	-	1,201,825	-	1,201,825	1,201,825
Financial liabilities at amortised cost					
Related party loans	-	3,848,764	-	3,848,764	3,848,764
	-	3,848,764	-	3,848,764	3,848,764
31 December 2017	Level 1 €	Level 2 €	Level 3 €	Total €	Carrying amount €
Financial assets					
Loans and receivables					
Receivables from related parties	-	2,055,861	-	2,055,861	2,055,861
	-	2,055,861	-	2,055,861	2,055,861
Financial liabilities at amortised cost					
Related party loans	-	3,930,074	-	3,930,074	3,930,074
	-	3,930,074	-	3,930,074	3,930,074

40 Capital risk management

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

The capital structure of the group and the company consists of debt, which includes the borrowings disclosed in notes 29, 30 and 32, cash and cash equivalents as disclosed in note 26 and of items presented within equity in the statement of financial position.

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

41 Post reporting date events

During 2019, as a result of a management buyout, Eunoia Limited ceased to be part of Harvest Technology Limited. The loss arising from Eunoia Limited for the year ended 31 December 2018 amounted to € 174,290.

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

42 Discontinued operations

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

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

	The group 2018 €	The group 2017 €
Administrative and other expenses	-	(4,988)
Loss for the year from discontinued operations	-	(4,988)

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

	The group 2018 €	The group 2017 €
Operating activities	-	(4,988)
Cash flows used in discontinued operations	-	(4,988)

43 Immediate and ultimate parent company

The parent company of Harvest Technology Limited is 1923 Investments p.l.c. The registered office of 1923 Investments p.l.c. is Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000, Malta. The ultimate parent of Harvest Technology Limited is Hili Ventures Limited with the same registered address.

Independent auditor's report

To the shareholders of Harvest Technology Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Harvest Technology Limited (the "Company") and of the Group of which it is the parent, set out on pages 7 to 70, which comprise the statements of financial position as at 31 December 2018, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company and the Group as at 31 December 2018, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Companies Act, Cap. 386 (the "Act").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company 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 2 to 6 which we obtained prior to the date of this auditor's report, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

- the Directors' report has been prepared in accordance with the Act.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate evidence regarding the financial information of the entities or business activities within the Group to express 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Report on other legal and regulatory requirements

We also have responsibilities under the Companies Act, Cap 386 to report to you if, in our opinion:

- adequate accounting records have not been kept
- the financial statements are not in agreement with the accounting records
- we have not received all the information and explanations we require for our audit
- 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

Fort Business Centre
Level 2
Mriehel Bypass
Birkirkara BKR 3000
Malta

10 July 2019