



HARVEST

# BORN DIGITAL

HARVEST TECHNOLOGY P.L.C.

REPORT AND CONSOLIDATED  
FINANCIAL STATEMENTS

2021







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Harvest Technology p.l.c. ended the financial year 2021 above the targets set out in the IPO prospectus, despite having to navigate challenges during the ongoing Covid-19 crisis which limited our ability to grow our international business and footprint as we had planned to do. This said, the Group has laid significant groundwork to ensure that in 2022, its international portfolio grows and the business continues to diversify.



## CHAIRMAN'S MESSAGE

I am pleased to report that the Board and its various sub-committees continue to function well, providing the right level of challenge as well as support to the CEO and the senior executives of the respective subsidiaries. Through targeted headhunting, and continuous training, the Group has strengthened its management teams in all its subsidiaries, to not only extend the range and quality of services we can provide, but also to ensure business continuity. In 2022, we will continue to recruit additional talent across the organisation.

2021 marked the end of the three-year projections provided to the market as part of the IPO. The Board is working on strategic initiatives to improve cost efficiency, drive further growth in the existing businesses and also enter new segments of the technology space. These initiatives will see significant investment

in the business to scale up the existing operations. We continue to believe that the market for digitalisation across all our services is poised to continue to grow for many years. We will continue to identify niches where we are competitive with the right skills and capacity that allows us to respond to our customers' needs.

At Apco Systems Limited, we will see further investment in the technology platforms, personnel and marketing as we roll out our service in Greece and other countries in the future. Over the last few years, PTL has established itself as a leading player in border control technology and is looking to expand this service, together with its partner IBM, in several countries on the African continent. This requires investment in personnel, training and marketing to expand its reach. Apco Limited is seeing new opportunities to expand its product offering, particularly in the Electric Vehicle charging market, which is expected to grow significantly over the next decade. Apco signed a partnership agreement with a leading global Electric Vehicle charging brand and it will start launching products locally and internationally. Whilst all these investments will come at a cost in the short-term, we believe that it will strengthen our competitive position and geographic reach in the long-term.

Over the years, the Company has built a strong balance sheet with a net cash position. The board has increased its focus on investment opportunities, both in start-ups but also of bolt-on

acquisitions to strengthen the position of each of the subsidiaries.

As part of the aforementioned review of the strategic initiatives, the board is also reviewing the dividend policy that was set out in the IPO prospectus which was based on a 4% dividend yield. In the years 2019 to 2021, the Company distributed an average dividend per share equal to 6c per share, which equates to an average dividend payout ratio of 53%. Following the completion of the above-mentioned strategic review, the Board will propose the new dividend policy.

Although we remain optimistic for the future, we are cognisant of the increasing challenges, particularly due to Covid-19 related travel restrictions, impact on Malta due to the grey-listing, geopolitical tensions between Russia and Ukraine, supply-chain issues and rising inflation.

On behalf of the Board, I would like to take the opportunity to thank the outgoing chairman, Professor Juanito Camilleri, for his important work over the last seven years.

**Mr. Keith Busuttill**  
**Chairman**  
**8 April 2022**



# CHIEF EXECUTIVE OFFICER'S OVERVIEW

Welcome to Harvest's Annual report for the year 2021. This is the third annual report since Harvest Technology p.l.c. was listed on the Malta Stock Exchange.



Harvest Technology p.l.c. is a Group with a diversified portfolio of technology businesses – today comprised of PTL Limited, Apco Limited, Apco Systems Limited and Ipsyon Limited. We deliver impactful and intuitive solutions to derive seamless outcomes and customer satisfaction in a myriad of sectors including banking, aviation, pharmaceuticals, state agencies, gaming, retail, and many more.

Notwithstanding the continued adversities that 2021 challenged the Group with, it is with great pride that I can announce that the team at Harvest Technology p.l.c. has delivered a robust performance during 2021. Furthermore, with the Board's direction, management synergies, portfolio diversity, unmatched workforce capability and aptitude, we keep being very well positioned to keep delivering on our objectives and performance as we go forward.

For 2021, the Group registered a profit after tax of €2.7m compared to €2.2m projected in the IPO referred to above and delivered the amount of dividend indicated in the IPO.

When it comes to the Payment landscape, Apco Systems Limited service offering connects merchants to 200+ payment methods and 40+ financial institutions globally. The payment gateway is at the core of Apco Systems Limited, and the team continues to invest heavily in it to make sure that we can offer the latest payment methods in the market. We continuously incorporate additional and alternative payment methods, also focusing on account-to-account payments which are increasingly gaining market traction. During 2021, we also successfully worked with our partners to make sure we delivered a seamless implementation of 3DS 2.0 to meet the changing requirements of the market. Our investment in both key personnel and the platform will continue in 2022 to ensure that this remains a cutting-edge solution in the payment space.

During the financial year under review the total transaction value in Euros processed by the payment gateway increased. To this extent the processing fee income for 2021 earned from this revenue stream as received from our merchants increased by 23% from €2.8 million in 2020 to €3.45 million in 2021. Apco Systems Limited is expected to continue to generate increases in processing fees. In the case of commission receivable from partnering banks, Apco

Systems Limited is experiencing challenges to maintain the levels of commissions earned in previous years, as banks are increasingly reducing profit margins primarily due to the increased scrutiny surrounding the onboarding of clients with our partnering banks.

In 2021 we continued to make progress on our Greece initiative striking several strategic relationships which augur well for the future. Going forward, the Group will be evaluating the landscape around payment eco-systems to determine where Apco Systems Limited should best position itself.

Looking at PTL, 2021 was a year of several targeted efforts. Despite travel restrictions, PTL has successfully completed the delivery of the Mauritius Police Advanced Passenger Analysis border security project remotely, commissioned into production in April 2021. PTL earned €4 million in revenue from the Advanced Passenger Analysis project in 2020, primarily through the delivery and installation of hardware equipment. Revenue from this project amounted to €1.4 million in 2021, including revenue from software configuration services and the commencement of revenue from a five-year maintenance and support contract. The margins on services revenue are significantly higher, resulting in higher gross profit margins in 2021 when compared to 2020.

Towards the end of the year PTL was awarded another project in Mauritius, within the country's Ministry of Finance, Economic Planning and Development. This is further testimony of client satisfaction from the completed cross border project mentioned above which supports the recent decision to set up a presence in Mauritius and target new business opportunities. 2021 was also successful for PTL as other major projects were awarded in Malta, providing a healthy pipeline for 2022.

At Apco Limited, our security and automation businesses successfully delivered several key projects during 2021. We have successfully implemented a core access control project for a large client. Based on our strong relationship with the major local banks, the company has also implemented several leading-edge security solutions. The team has successfully continued to roll out its Fuel Management Software with the intent to explore internationalization opportunities. From a

strategic perspective, we continue to focus on Electric Vehicle Charging Points and the Unmanned Aerial Vehicle space, engaging with key partners and vendors. During the year under review, despite the reduction in the Covid-19 supplement, the company managed to increase its service offerings in new areas of technology and significantly increase profit for the year.

As part of its commitment to engage in bite sized investments, during July 2021, Harvest Group increased its investment in Thought 3D Limited by €99,977. Thought 3D Limited is involved in the advanced materials landscape – developing new materials and technologies to solve problems in additive manufacturing.

During the year under review, the group repaid its external debts in full and is therefore debt free. This, along with the healthy cash balance at year-end of approximately €3 million puts the Group in a strong position to raise funds for any upcoming significant investments which the Group may consider.

Harvest employees are our greatest asset and truly amongst the best within the industry. It is only thanks to our employees that we can talk about and look back at our achievements. We continuously ensure that our employees are at the heart of our ongoing strategy.

Our continued investment in our people, in terms of both training and certification, allows us to ensure that our value proposition with international vendors stays at the foremost level, a commitment which has allowed the Group to be able to engage and handle large scale and complex solutions, alongside supporting services. It also ensures that our employees can keep enriching their professional capabilities, opportunities, and experience.

Lastly, I cannot fail to mention the outgoing chairman Prof. Juanito Camilleri. Juanito has been my mentor since I joined the Company 4 years ago and I would like to thank him publicly for all he has done for the Harvest Group.

**Dr. Godwin Caruana, PhD**  
**Chief Executive Officer and Chief**  
**Technology Officer**  
**8 April 2022**

# THE BOARD OF DIRECTORS



**Keith Busuttil**  
*Director*

Keith Busuttil was appointed Chief Executive Officer at 1923 Investments plc, the investment arm of Hili Ventures, in 2020. He is responsible for the company's success in achieving its commercial and investment objectives. He also manages shareholder relations and supports the senior executives of the subsidiaries across the 1923 Investments group.

Mr. Busuttil joined the company from London-based Oceanwood Capital Management where he was Portfolio Manager in the European Event Driven Master Fund since 2014. He was previously a Partner at Dalton Strategic Partnership, a Vice-President at The Blackstone Group, and a senior analyst within the Investment Banking Division at Credit Suisse in London. Mr. Busuttil holds a Master's in Corporate Finance cum laude from SDA Bocconi Business School and is ACCA-qualified.

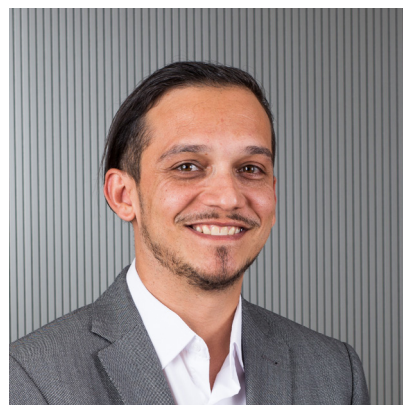


**George Kakouras**  
*Director*

George Kakouras is the Managing Director of Hili Properties plc, a division of Hili Ventures. He previously served as the Managing Director of Apco Systems Ltd, a subsidiary of Harvest Technology plc.

Earlier in his career, Mr. Kakouras gained extensive international management and leadership experience at Intralot group and Maltco Lotteries, where he was Chief Operating Officer and a member of the board.

George Kakouras holds a BSc and an MEng in Electrical and Computer Engineering and an MBA in Engineering Economics Systems from the National Technical University of Athens.



**Conrad Aquilina**  
*Director*

Conrad Aquilina is a seasoned strategic leader with 15 years of experience, who brings forth in-depth knowledge in Cyber Security, Enterprise IT Governance, Leadership and Digital Transformation. A visionary, who translates evolving industry risks into ambitious technology roadmaps and robust security programs. Mr. Aquilina was appointed as Head of Group IT at Hili Ventures in 2016 and later promoted to Director of Group IT where he leads the global IT strategy and technical roadmap along with the development of corporate technology, policies, and corporate information systems across the Group. Mr. Aquilina holds a Master's degree in Strategic Information Technology Management from the University of Derby and boasts experiences in National and Cross Border Security, Healthcare, Retail, Logistics, Properties and Restaurant Technologies.



When we put our team together, we made it a point to choose people who came from diverse disciplines and who possessed different skills. This makes our team truly complementary and enables us to challenge conventionality and to find disruptive solutions.



**Jacqueline Camilleri**  
*Director*

Jacqueline Camilleri is a Certified Public Accountant and a business advisor. She held various roles at AX Holdings between 1990 and 1998, and again from 2014 when she was appointed Chief Executive Officer at Hilltop Gardens. Ms Camilleri has provided financial consultancy to the private and national health sector, a sector in which she has also held senior management posts in Malta and the UK.



**Stephen Paris**  
*Director*

Stephen Paris is an accountant and auditor by profession having completed his ACCA in 1989. He spent 30 years in the profession with Deloitte Malta and was admitted as a Partner in 2000. Over the past 19 years, Mr. Paris served in various leadership roles at Deloitte as Head of Audit, Financial Services Industry Leader and Head of Risk and Regulatory Advisory. Throughout his career, Mr. Paris has led numerous audit and non-audit assignments for a variety of clients – private, public, listed, state-owned, foreign-owned, family businesses, regulated entities as well as organisations operating in a variety of sectors including financial services, leisure, entertainment, real estate, transportation, manufacturing, import/distribution, and retail. As the jurisdiction evolved to an attractive financial services centre, Mr. Paris focused his efforts to this sector and transformed his client portfolio exclusively to entities regulated by the Malta Financial Services Authority, leading several audit and advisory engagements to clients involved in this sector. Mr. Paris was a council member of the Malta Institute of Accountants and lecturer in auditing for several years.



**Peter Hili**  
*Director*

Peter Hili graduated from the University of Malta in 2016 with an Honours degree in International Relations. After some time on the staff of the Embassy of Malta in Washington DC as a Policy Officer, he joined Hili Ventures, Hili Properties' parent company, as a management trainee. In 2017, Mr. Hili relocated to Canada for a placement with McDonald's in Ottawa and was appointed Restaurant Manager at McDonald's Bay Street in Malta the following year. He was named Business Consultant at Premier Restaurants Malta, the operator of McDonald's, in 2019 and was promoted to Managing Director in 2020. Mr. Hili is also a board member of Hili Properties plc.

# THE EXECUTIVE TEAM

We are excited to be able to bring together a team that delivers so much professional experience. To our mind, experience is not counted in years, but in ideas generated, projects delivered and challenges overcome. With that metric in mind – we know this is a group that can contribute and really deliver value.



**Chris Fenech**  
*Interim-CEO & Chief Financial Officer*

Chris Fenech joined Hili Ventures in April 2016 as Finance Manager (Accounting and Controls), having previously worked at PwC Malta as an audit and tax supervisor. In 2019, Mr. Fenech was appointed Chief Financial Officer with Harvest Technology. He joined Harvest from 1923 Investments, the investment arm of Hili Ventures, where he was Director of Finance since July 2018. He is a qualified accountant and auditor, and an accountancy graduate from the University of Malta.

Mr. Fenech is currently pursuing a Master's in Business and Administration at Henley Business School.



# THE LEADERSHIP TEAM



**Pierre Attard**  
*Managing Director*  
*PTL Ltd*

Pierre is an experienced sales professional with a proven track record in sales growth and business development and key account management skills. He has always worked in the ICT and security sectors, mainly focusing on solutions for government and banking. Pierre previously held the roles of Head of Business Development, responsible for the execution of PTL's sales strategy and for building stronger partner relationships, and of General Manager for PTL. He was appointed Managing Director in August 2019, and sits on the board of directors of PTL. Pierre holds an Honours degree in Information Systems and Statistics, as well as an MBA.



**Andrea Bocchino**  
*Managing Director*  
*Apco Systems Limited*

Andrea Bocchino was appointed Managing Director of Apco Systems Limited in May 2021 to lead the growth strategy and company expansion.

Mr. Bocchino has international experience within the banking and payment sector having held various roles at PayPal Inc. across Fraud Prevention, Credit Risk and Compliance AML.

He has worked for J.P. Morgan within the Merchant Services and Wealth Management arms of the business as Credit Analyst.

Prior to joining Apco Systems Limited, Mr. Bocchino served as Head of Risk in the financial industry locally in Malta.

Mr. Bocchino holds a Business Economics degree from the University of Cassino and has attended studies abroad in Paris at Université de Creteil.



**Christian Gatt**  
*Managing Director*  
*Apco Limited*

Christian has been working in the ICT Industry for over 20 years, and has held technical, consultant and project management positions with various government organisations and the private sector both locally in Malta and abroad. He has broad experience in multiple technical streams including IT architecture, software development, server infrastructure, networking, databases and business intelligence. Over the years he has also acquired extensive experience in leading multi disciplinary technical teams.

Prior to joining Apco Limited, Christian headed the Products Engineering and Architecture, QA and Business Applications Units within PTL Ltd. and was responsible to establish and direct all technology and architecture aspects with respect to the current product portfolio and new innovative products within PTL. Chris holds an Honours degree in Information Technology from the University of Malta and a Master's Degree in Computer Science from the University of Edinburgh.











# DIRECTORS' REPORT

The directors present their report together with the audited financial statements of Harvest Technology p.l.c. and the consolidated financial statements of the Group of which it is the parent, for the year ended 31 December 2021.

## PRINCIPAL ACTIVITIES

The principal activity of the parent Company is that of acting as a 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 €4,007,506 (2020: €4,643,232) on revenue of €15,747,511 (2020: €19,217,368). After accounting for net finance costs and taxation, the Group registered a profit for the year of €2,693,519 (2020: €3,040,659).

The Group's net assets at the end of 2021 amounted to €13,398,459 (2020: €12,072,265).

The Company earned management fees and investment income of €325,813 and €4,442,525, respectively (2020: €393,882 and €3,277,208, respectively). After accounting for finance income, finance costs and administrative expenditure, the Company registered a

profit after tax of €2,286,300 (2020: €1,809,807). The net assets of the Company at the end of 2021 amounted to €12,992,832 (2020: €12,073,378).

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 1.49:1 (2020: 1.42:1).

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 amounted to €4,748,658 (2020: €5,415,644).

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, 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 amounted to 30% (2020: 38%).

The 2021 results of Harvest Technology p.l.c. Group, exceeded the projected financial results of the year as illustrated in the Prospectus dated 18 November 2019.

## Non-financial

The directors note that the transaction value in Euros processed by the payment gateway, which remained the most important segment to the Group's result, increased by 6% from €535 million in 2020 to €568 million in 2021. To this extent the contribution from processing fees for 2021 earned from this revenue stream as received from our merchants increased by 15%, as the margins earned from the increased traffic were above normal.

## PRINCIPAL RISKS AND UNCERTAINTIES

The successful management of risk is essential to enable the Group to achieve its objectives. The ultimate responsibility for risk management rests with the Company's directors, who evaluate the Group's risk appetite and formulate policies for identifying and managing such risks. The principal risks and uncertainties facing the Group are included below:

**Market and competition**

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

Related to the above is the growing pressure on commissions that Apco Systems Limited generates through its partnerships with various banks and the opportunity for this subsidiary to increase its service offerings.

**Talent and skills**

Failure to engage and develop the Group's existing employees or to attract and retain talented employees could hamper the Group's ability to deliver in the future. Regular reviews are undertaken of the Group's resource requirements.

**Economic and market environment**

A significant economic decline in any of the markets that the Group operates in, could impact the Group's ability to continue to attract and retain customers. Demand for the Group's products and services can be adversely affected by weakness in the wider economy which are beyond the Group's control. This risk is evaluated as part of the Group's annual strategy process covering the key areas of investment and development and updated regularly throughout the year.

The Group continues to make investment in innovation. The Group regularly reviews its pricing structures to ensure that its products and services are appropriately placed within the markets in which it operates.

**Brand and reputation risk**

Damage to the Group's reputation could ultimately impede the Group's ability to execute its corporate strategy. To mitigate this risk, the Group strives continually to build its reputation through a commitment to sustainability, transparency, effective communication and best practices. The

Group works to develop and maintain its brand value.

**Technology and business interruption**

The Group relies on information technology in all aspects of its business. In addition, the services that the Group offers to its customers are reliant on complex technical infrastructure. A failure in the operation of the Group's key systems or infrastructure could cause a failure of service to its customers, thus negatively impacting its brand, and increased costs. The Group invests in technology infrastructure to enable it to continue to support the growth of its business and has a robust selection and monitoring process of third-party providers. The Group also organises regular business continuity exercises to ensure ongoing readiness of key systems and sites.

**Customer service**

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

**Financial instruments risks**

Note 41 to the financial statements provides details in connection with the Company's financial risk management objectives and policies and the financial risks to which it is exposed.

**NON-FINANCIAL STATEMENT MATTERS****Environmental matters**

The Group is committed to environmental responsibility and 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.

**Employee matters**

The Group provides opportunities to individuals with diverse backgrounds and experiences, to work in its environment and provide the necessary training programs to its staff members to ensure high levels of engagement which is essential to its continuing business

success, whilst making sure that it provides career progression mechanisms and rewarding achievements. All this is provided in an environment which fosters diversity and equal opportunities for everyone, respecting the unique attributes and perspectives of every employee. 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. For everyone's safety, employees must immediately report accidents and unsafe practices or conditions to their immediate supervisors.

**Social matters**

The Group 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.

**Obligations**

The Group conducts its activities by taking positive actions with respect to human rights, as defined in the code of business conduct, which applies to all employees of the Group. All Group employees are trained annually on the standard of business conduct.

The Group makes sure that it respects all its obligations regarding fraud, bribery and corruption. The Group prohibits all forms of bribery and corruption in accordance with the Group Code of Conduct and Whistle-blower Policy to ensure that all employees are deterred 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.

Accordingly, all employees, representatives and business partners must fully comply with anti-bribery legislation.

Meanwhile, 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.

## BUSINESS MODEL

The Group's business model in Malta is a multi-brand information technology solutions provider to businesses and the public sector. In addition, the Group provides a payments solutions provider offering e-commerce processing services for retailers and internet-based merchants together with the provision of a wide range of automation and security solutions catering to the banking, retail, fuel and other sectors.

Through the wide range of services and 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 2021 are shown in the statements of profit or loss and other comprehensive income. The Group's profit for the year after taxation was €2,693,519 (2020: €3,040,659), whilst the Company's profit for the year after taxation was €2,286,300 (2020: €1,809,807).

On 25 March 2021, the Company declared a final dividend of €455,613 – €0.020 per share, for 2020. This was paid on 9 April 2021. During the current year, the Company paid two net interim dividends amounting to €911,275 – €0.040 per share.

On 8 April 2022, the directors propose a final net dividend of €455,613, equivalent to €0.02 per share, resulting in an aggregate net dividend for the financial year ended 31 December 2021 of €1,366,888 equivalent to €0.060 per share (2020 – €1,366,846 – €0.060 per share).

## LIKELY FUTURE BUSINESS DEVELOPMENTS

The directors consider that the year-end financial position of the Group was satisfactory, however future performance might be negatively affected due to the Covid-19 pandemic or possibly the geopolitical situation in Europe. The present, situation remains fluid and future events may have an adverse effect on the Group's future profitability, liquidity and financial position, the medium-term outlook remains cautiously optimistic. The Group will be evaluating the landscape around payment gateways to determine where Apco Systems Limited should best position itself, whether simply as a technology company or whether the time has come to venture into obtaining a financial services licence.

The Group will also explore opportunities to invest in the FinTech sector and other holdings which complement the Payment Gateway business segment.

Furthermore, in a bid to expand its reach and extend its services in the retail space, a subsidiary of Apco Systems Limited, APCOPAY Greece S.A. is in the process of being set up in Greece to allow the company to exploit the opportunities identified in this geography.

PTL Limited will be setting up a subsidiary in Mauritius to extend its foothold in the region following the successful implementation of the APA solution during 2020 and 2021.

## POST BALANCE SHEET EVENTS

With respect to the potential impact in relation to the consequences that may arise from the conflict in the Ukraine, the directors hereby acknowledge that the Group has no direct involvement with persons or entities subject to international sanctions imposed and as adopted by the Maltese Government. The directors abide to continue to monitor the process of conducting further assessments in this regard in due course. There were no other adjusting or significant non-adjusting events that have occurred between the end of the reporting period and the date of authorisation by the board.

Towards the end of February 2022, the armed conflict between the Russian

Federation and Ukraine set in motion a chain of diplomatic efforts and other major geopolitical events which led a number of western nations, including the EU institutions and the United States government, to impose a number of sanctions on the Russian Federation and Belarus. The sanctions currently in place include several restrictive measures of a direct financial nature that are having a significant direct impact on the broad economy of the affected nations, as well as resulting in a downgrading of their sovereign and private debt by international credit rating agencies.

The consequences of these restrictive measures are also expected to have a significant impact on the economies of the countries implementing such trade restrictions, with a spill-over on the world economy, as uncertainty and market volatility remain high across all industries with increasing tensions and rhetoric on both sides. The cost of doing business is expected to rise further, compounded by the remaining effects of the Covid-19 induced shocks on the global economy seen in the last couple of years, as the ongoing conflict in Ukraine and Covid-19 related measures continue to rock global supply chains. Both the International Monetary Fund and the World Bank have indicated that the resulting impact of the conflict on global growth and recovery from Covid-19 effects will be significant. As the price of oil and gas shift upwards due to the war, transport and other procurement costs required for business will also increase. Due to the nature and decisiveness of these restrictive measures, the economic impact globally is expected to be long-lasting, even in the eventuality that the conflict ceases in the immediate future. The dynamics of international trade between the EU, the USA and Asia are also significantly impacted, possibly in the long-term.

It is still too early to quantify the impact that the ongoing conflict in Ukraine will have on the Group's business and operations in the short and medium term. Management is taking all steps necessary to mitigate any expected decline in revenue and to implement any further course of action as deemed applicable in the circumstances. Management, together with the directors, continue to actively monitor all developments taking

place internationally in order to take any action for unforeseen effects that such conflict might have on the economies and industries to which the company operates.

## DIRECTORS

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

Mr. Keith Busuttil  
Non-Executive (Chairman)  
– appointed as chairman on 28 February 2022

Prof. Juanito Camilleri  
Non-Executive (Chairman)  
– resigned on 28 February 2022

Mr. Conrad Aquilina  
Non-Executive

Ms. Jacqueline Camilleri  
Independent Non-Executive

Mr. Peter Hili  
Non-Executive  
– appointed on 15 March 2022

Mr. Georgios T. Kakouras  
Non-Executive

Mr. Stephen Paris  
Independent Non-Executive

The directors are eligible for re-appointment in the manner specified in the corporate governance statement.

## REMUNERATION STATEMENT

In terms of Rule 8A.4 of the Code, the Company is to include a remuneration statement in its annual report which shall include details of the remuneration policy of the Company in respect of the financial packages of members of the Board of Directors and the Chief Executive Officer (“CEO”) of the Company.

The Company’s remuneration of its Directors and CEO is based on the remuneration policy adopted and approved by the shareholders of the Company at the annual general meeting held on 30 July 2020 (the “**Remuneration Policy**”). The Remuneration Policy of the Company is available for inspection on the Company’s website on <https://harvest.tech/wp-content/uploads/2020/07/Harvest-Remuneration-Policy.pdf>

## Remuneration Policy

The Remuneration Policy of the Company is intended to provide an over-arching framework that establishes the principles and parameters to be applied in determining the remuneration to be paid to any member of the Board of Directors, and the CEO. The Remuneration Policy is also intended to demonstrate how the remuneration that may be paid to Directors and the CEO contributes to the development and attainment of the Company’s corporate strategy and its long-term success, development and sustainability, and is aimed at attracting and retaining suitable candidates with the appropriate skills, technical knowledge experience and expertise.

## Remuneration payable to Directors

### Fixed remuneration

The remuneration payable to Directors shall be fixed and shall not include any variable element based on performance indicators or the right to purchase shares in the Company by virtue of share options, or any other deferred compensation, or pension benefits.

In addition to fixed remuneration in respect of their position as members of the Board of Directors of the Company, individual Directors who are also appointed to chair, or to sit as members of, one or more committees or sub-committees of the Company, or its subsidiaries, are entitled to receive additional remuneration as may be determined by the Board of Directors from time to time. Any such additional remuneration shall, however, form part of the aggregate emoluments of the Directors as approved by the general meeting of the Company. The basis upon which such additional remuneration is paid shall take into account the skills, competencies and technical knowledge that members of such committees require and the respective functions, duties and responsibilities attaching to membership of such committees.

### Other entitlements

The Company may also pay out fringe benefits, comprising of medical and life insurance (subject, however, to a commercially reasonable capping on

the premium payable), as well as mobile and internet connectivity data, at the expense of the Company.

## Director service contracts

As at the date hereof, the independent non-executive Directors are party to a director services contract with the Company, pursuant to which their respective role, responsibilities, duties and the applicable remuneration is set out.

The term of such service contracts commences from the date of entry into the said contract and continues in force thereafter until the next annual general meeting of the Company at which the Directors shall be eligible for re-election, or until such time as the Director resigns or until such time as such Director is removed from office.

None of the service contracts contain provisions for termination payments and other payments linked to early termination.

## Remuneration payable to CEO

### Fixed and Variable Remuneration

The CEO is entitled to a fixed-based salary together with a variable discretionary performance bonus, based on a pre-defined percentage of the audited consolidated net profit before taxation of the Company. Such bonus scheme is driven by the crucial role of the CEO in the oversight of the day-to-day business, and the growth of the Company and its underlying business clusters.

The remuneration payable to the CEO is reviewed annually by the Board of Directors to ensure that such remuneration is commensurate with the roles, duties and responsibilities of the CEO, as well as the individual skills, knowledge, expertise, experience and performance thereof. In establishing the remuneration payable to the CEO, the Board of Directors is guided by the recommendations of the RemNom Committee, including any recommendations intended to ensure that remuneration payable is in line with market standards and is well suited to retain and motivate the CEO of the Company to contribute to the long-term success and development of the Group.

### **Other entitlements**

In addition to his fixed and variable remuneration, the CEO is also entitled to a fully expensed mobile phone and laptop, as well as part payment of premia for overseas medical insurance and life insurance.

### **CEO Service Contract**

The CEO's contract of service is of an indefinite duration and is subject to the termination notice periods prescribed by law.

### **Remuneration Report**

In terms of Capital Markets Rule 12.26K, the Company is also required to draw up an annual remuneration report (the "Remuneration Report"), which report is to:

- i. provide an overview of the remuneration, including benefits in whatever form, awarded or due to members of the Board of Directors and the CEO during the financial year under review; and
- ii. explain whether any deviations have been made from the Remuneration Policy of the Company.

In this respect, the Company is hereby producing its second Remuneration Report since the approval and entry into effectiveness, in July 2020, of the Remuneration Policy described in the preceding sections.

### **Remuneration paid to Directors**

The remuneration paid to individual Directors during the year under review was as follows:

Prof. Juanito Camilleri  
Non-Executive Director and Chairperson\*  
€100,121

Ms. Jacqueline Camilleri  
Independent Non-Executive Director  
€20,000

Mr. Stephen Paris  
Independent Non-Executive Director  
€20,000

Mr. Conrad Aquilina  
Non-Executive Director  
€nil

Mr. Keith Busuttill  
Non-Executive Director\*\*  
€nil

Mr. Georgios T. Kakouras  
Non-Executive Director  
€nil

\* Resigned on 28 February 2022.

\*\* Appointed as Chairman in place of Prof. Juanito Camilleri, with effect from 28 February 2022.

The remuneration paid to the independent non-executive Directors covers both their role as directors of Company and their role as members of chairpersons or members of sub-committees of the Company, as well as their position as directors of subsidiaries forming part of the Group.

The aggregate emoluments that may be paid to Directors in any one financial year shall be as determined by the Company in the general meeting in accordance with Article 21.1 of the Articles of Association of the Company. In this respect, the shareholders of the Company approved, as part of the ordinary business approved at the last annual general meeting of the Company held on 7 May 2021, that the aggregate remuneration that may be paid to the Directors of the Company for the financial year ending 31 December 2021 was fixed at €150,000.

The aggregate emoluments of the Directors in respect of their role as directors of the Company and, where applicable, as members of sub-committees of the Board of Directors of the Company and non-executive directors of subsidiaries forming part of the Group, amounted to €140,121.

In view of the management structure of the Group, and the fact that the main assets of the Company are its investments in its operating subsidiaries (PTL Limited, Apco Limited, Apco Systems Limited Limited and Ipsyon Limited), the Board considers a fixed remuneration to Directors as an appropriate and suitable remuneration package for the Board in the performance of their duties. Furthermore, the Remuneration Committee is satisfied that the fixed remuneration for the year under review

is in line with the core principles of the Remuneration Policy applicable during the year under review, including giving due regard to market conditions and remuneration rates offered by comparable organisations for comparable roles.

### **Remuneration paid to CEO**

Emoluments paid and accrued to the CEO for the period under review amounted to €185,000, split as to €125,000 by way of fixed remuneration and €60,000 by way of variable remuneration.

### **Decision-making with respect to the Remuneration Policy**

Whereas the Board of Directors is responsible for determining the Remuneration Policy of the Company, the RemNom Committee, acting in its function as the Remuneration Committee, is, in turn, responsible for overseeing and monitoring its implementation and ongoing review thereof.

The Remuneration Policy shall be reviewed regularly, and any material amendments thereto shall be submitted to a vote by the annual general meeting of the Company before adoption, and in any case at least every four (4) years.

In evaluating whether it is necessary or beneficial to supplement or otherwise alter the Remuneration Policy of the Company, the RemNom Committee have regard to, inter alia, best industry and market practice on remuneration, the remuneration policies adopted by companies operating in the same industry sectors, as well as legal and, or statutory rules, recommendations or guidelines on remuneration, including but not limited to the Code of Principles of Good Corporate Governance contained in Appendix 5.1 of the Capital Markets Rules issued by the MFSA.

Members of the RemNom Committee are not present while his/her remuneration as a Director or other officer of the Company and, or of any other company forming part of the Group, is being discussed at a meeting of such Committee, and any decision taken by the Committee in this respect shall be subject to the approval of the Board of Directors. At a meeting of



the Board of Directors, no Director may be present while his/her remuneration as a Director or other officer of the Company and, or of any other company forming part of the Group, is being discussed.

#### **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.

The financial statements of the Company for the year ended 31 December 2021 are made available on the Company's website. The Directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

#### **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. Signed on behalf of the Board of Directors on 8 April 2022 by Mr. Keith Busuttil (Chairman and Director) and Mr. Stephen Paris (Director) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Financial Report.

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

8 April 2022



# CHANGING THE WAY PEOPLE LIVE AND WORK





# CORPORATE GOVERNANCE

## - STATEMENT OF COMPLIANCE

When we put our team together, we made it a point to choose people who came from diverse disciplines and who possessed different skills. This makes our team truly complementary and enables us to challenge conventionality and to find disruptive solutions.

### A. INTRODUCTION

Pursuant to the Capital Markets Rules issued by the Malta Financial Services Authority (MFSA), Harvest Technology p.l.c. (the "Company") should endeavour to adopt the Code of Principles of Good Corporate Governance contained in Appendix 5.1 to Chapter 5 of the Capital Markets Rules (the "Code"). As at the date of this Report, the Board of Directors of the Company (the "Board" or the "Directors") considers the Company to be generally compliant with the Code. In those instances where the Company's organisation and practices deviate from the Code, the Board is of the view that there are cogent justifications for such divergences, taking into account the size, complexity and nature of operations of the Company, as explained in further detail in section B of this Corporate Governance Statement.

The Company acknowledges that the Code does not dictate or prescribe mandatory rules but recommends principles of good practice. However, the Directors strongly believe that such practices are generally in the best interests of the Company and its shareholders and that compliance with the Code is not only expected by investors but also evidences the Directors' and the Company's commitment to a high standard of good governance.

The Company's governance lies principally with its Board, which is responsible for the overall determination of the Company's policies and business strategies. The Company has adopted a corporate decision-making and supervisory structure that is tailored to suit its requirements and designed to ensure the existence of adequate controls and procedures within the Company, whilst retaining an element of flexibility essential to allow the Company to react promptly and efficiently to circumstances arising in respect of its business, taking into account its size and the economic conditions in which it operates. The Directors are of the view that it has employed structures, which are most suitable and complementary for the size, nature and operations of the Company. Accordingly, in general, the Directors believe that the Company has adopted appropriate and suitable structures to achieve an adequate level of good corporate governance, together with an adequate system of control in line with the Company's requirements.

This Corporate Governance Statement (the "Statement") sets out the organisational structures, internal controls, practices and processes in place within the Company and explains how these effectively achieve the provisions and principles set out in the Code. For this purpose, the Statement will make reference to the pertinent provisions and principles of the Code and set out the manner in which the Directors believe these have been adhered to. Where the Company has not complied with any of the principles of the Code, this Statement provides an explanation for such non-compliance. Reference in this Statement to compliance with the principles of the Code means compliance with the Code's main principles and provisions.

The Board has carried out a review of the Company's compliance with the Code during the period under review and is hereby reporting on the extent of its adoption of the provisions and principles of the Code for the financial year being reported, as required in terms of Capital Markets Rule 5.97.

The Code is accessible via the website of the MFSA on <https://www.mfsa.mt/wp-content/uploads/2021/12/Full-Capital-Markets-Rules-as-amended-on-6-December-2021.pdf> thereof.



## B. COMPLIANCE

### *Principle 1: The Board*

The Directors believe that for the period under review, the Company has generally complied with the requirements of this principle and the relative Code provisions.

The Board is composed of members who are fit and proper to direct and manage the business of the Company with honesty, competence and integrity. All the members of the Board are fully aware of, and conversant with, the statutory and regulatory requirements connected to the business of the Company and its status as a listed company and the Board is cognisant of its accountability for its own performance and that of its delegates.

The Board is primarily responsible for determining the Company's strategic direction and organisational requirements, whilst ensuring that the Company has the appropriate mix of financial, human and operational resources to meet its objectives and improve its performance. Throughout the period under review, the Board provided the necessary leadership in the overall direction of the Company and has adopted prudent and effective systems whereby it obtains timely information from the Chief Executive Officer (the "CEO") and the Chief Financial Officer (the "CFO").

The CEO acts as a channel of communication between the Board, the senior management team and the managing directors of the Company's operating subsidiaries, ensuring an effective contribution to the decision-making process, whilst at the same time exercising prudent and effective controls. The CFO leads the finance function of the Company and plays a central role in the preparation of the Company's consolidated financial statements, the appraisal of investment opportunities, as well as the monitoring of the operational performance of the Company's business, cash flow and capital requirements. The CFO is also generally responsible for ensuring that the Company complies with its statutory financial and fiscal reporting obligations.

The Board delegates specific responsibilities to several committees, notably the Audit Committee, the Remunerations and Nominations Committee (the "**RemNom Committee**"), the Governance and Risk Committee, and the Investment Committee, each of which operate under formal terms of reference approved by the Board. Further detail in relation to the Committees and the responsibilities of the Board is found in paragraph 'Principles 4 and 5' of this Statement.

### *Principle 2: Chairman and Chief Executive Officer*

The roles of the Chairman and the CEO are occupied by separate individuals. During the period under review, Prof. Juanito Camilleri occupied the post of Chairman and Dr. Godwin Caruana occupied the post of CEO. Prof. Juanito Camilleri resigned with effect from the 28 February 2022, and with effect from the same date, the Board of Directors appointed Mr. Keith Busuttil, a non-executive director of the Company, as Chairman of the Board of Directors, in accordance with the Articles of Association of the Company.

Prof. Juanito Camilleri was not, and Mr. Keith Busuttil is not, an independent Director as recommended by the Code. The Board considers that notwithstanding that the Chairman is not an independent Director as recommended by the Code, the means for addressing potential conflicts of interest are suitably addressed in the Articles of Association of the Company and terms of reference of the Audit Committee of the Company. During the period under review, the Board considered its Chairman and considers his successor, to be fit and proper to occupy the role, having the relevant and necessary experience and expertise to fulfil the role.

The responsibilities and roles of the Chairman and the CEO are clearly established and agreed to by the Board of Directors, with the Chairman generally responsible for leading the Board, whereas the CEO is generally responsible for the day-to-day management of the Company, thereby ensuring effective checks and balances on the exercise of the management and conduct of affairs of the Company. The separation of roles is also entrenched in the Articles of Association of the Company, whereby in terms of Article 13.2 of the Articles of Association, where the CEO is appointed to form part of the senior management team of the Company, the CEO may not also simultaneously form part of the Board of Directors.

The Chairman is responsible for:

- leading the Board and setting its agenda;
- ensuring that the Board is in receipt of precise, timely and objective information to enable the Board to take sound and commercially reasonable decisions and effectively monitor the performance of the Company;
- encourages and supports active engagement by all Directors for discussion of complex and contentious issues and ensuring that all Directors are afforded ample opportunity to contribute to the issues on the agenda and present their views; and
- ensuring effective communication and relationship management with the Company's shareholders.

**Principle 3: Composition of the Board**

In terms of Clause 5 of the Memorandum of Association of the Company and Article 12.3 of the Articles of Association of the Company, the board of directors shall consist of a minimum of five (5) and maximum of seven (7) directors, one of whom may include the CEO provided that said CEO does not form part of the senior management of the Company in accordance with Article 13.2 of the Articles of Association.

The Articles of Association of the Company distinguish between the process for the appointment of executive directors and non-executive directors.

**Appointment of executive directors**

Non-executive directors of the Company are entitled to appoint executive directors to the Board of Directors of the Company from amongst the most senior executive positions of the Company. An executive director appointed in such manner will have a term of office of three (3) years and will thereafter be eligible for re-appointment and may not be removed from office by the non-executive directors: (i) unless his office as a senior executive has also been terminated; or (ii) with just cause being shown to the satisfaction of the Nominations Committee.

As indicated hereunder, none of the directors of the Company are executive directors.

**Removal of directors**

Any Director may be removed at any time by the ordinary resolution of the shareholders of the Company in accordance with the Companies Act (Cap. 386 of the laws of Malta), or in accordance with any other applicable law, or in the specific cases set out in the Articles of Association of the Company. Once appointed to office in accordance with the provisions of the Articles of Association of the Company, a Director shall hold office for a minimum period of three (3) years and a maximum period of five (5) years, unless he/she resigns or is earlier removed or is due to retire by rotation in accordance with the Articles of Association of the Company. A Director whose term of office expires will be eligible for re-appointment.

During the period under review the Board of Directors was chaired by Prof. Juanito Camilleri, and comprised six (6) non-executive Directors, until his resignation which took effect from the 28 February 2022. With effect from the same date, the Board of Directors appointed Mr. Keith Busuttil as Chairman of the Board of Directors, in accordance with the Articles of Association of the Company. Subsequently, the Board of Directors co-opted Mr. Peter Hili to the office of non-executive director, effective 14 March 2022. The Board of Directors is now composed of six (6) non-executive Directors.

The Board of Directors is currently chaired by Mr. Keith Busuttil and comprises six (6) non-executive Directors. As at the date of this Statement, the directors of the Company are:

<b>Name</b>	<b>Capacity</b>	<b>Date of appointment</b>
Mr. Keith Busuttil	Non-Executive (Chairperson)	30 July 2020 (Director); 28 February 2022 (Chairman)
Mr. Conrad Aquilina	Non-Executive	3 September 2019
Ms. Jacqueline Camilleri	Independent Non-Executive	3 September 2019
Mr. Peter Hili	Non-Executive	15 March 2022
Mr. Georgios T. Kakouras	Non-Executive	4 November 2020
Mr. Stephen Paris	Independent Non-Executive	14 October 2019
Mr. Peter Hili	Non-Executive	14 March 2022

Mr. Peter Hili and Mr. Conrad Aquilina will be obliged to retire from office at the next annual general meeting but will be eligible for re-appointment thereafter.

For the purpose of Code provision 3.2, two of the Directors are considered by the Board to be independent within the meaning of the Capital Markets Rules, such independent directors being Ms. Jacqueline Camilleri and Mr. Stephen Paris. In making this determination in respect of the former, the Board of Directors considered the following principal determining factors: (i) with reference to her position as a member of the Board of Directors of Hili Finance Company p.l.c. (C85692), the Board noted that Ms. Camilleri sits as an independent non-executive director and is, therefore, not involved in the day-to-day operations; and (ii) none of the circumstances set out in Code provision 3.2 that would be indicative of a director's non-independence, are satisfied.

The Board of Directors have formulated the view that notwithstanding that Mr. Conrad Aquilina is employed by Hili Ventures Limited, the parent company of the majority and controlling shareholder of the Company, there are cogent reasons to believe that the independence of the said director was/is not compromised by the services rendered by the said director under his contract of employment, mindful of



maintaining professionalism and integrity in carrying out his duties, responsibilities and providing judgement as a non-executive director of the Company. The Board of Directors also considers that Mr. Keith Busuttil, CEO of 1923 Investments p.l.c., and Mr. Georgios Kakouras and Mr. Peter Hili, directors of Hili Properties p.l.c. (C-57954), an associate company of 1923 Investments p.l.c., similarly maintain the necessary professionalism and integrity to duly fulfil their roles and responsibilities as non-executive director of the Company.

The non-executive directors contribute to the strategic development of the Company and the creation of its long-term growth and are responsible for:

- constructively challenging and developing strategy;
- monitoring reporting of performance;
- scrutinising performance of management; and;
- ensuring the integrity of financial information, financial controls and risk management systems.

Save as disclosed above, none of the non-executive Directors of the Company:

- (a) are or have been employed in any capacity by the Company;
- (b) receive significant additional remuneration from the Company;
- (c) have close family ties with any of the executive members of the Board;
- (d) have been within the last three years an engagement partner or a member of the audit team of the present or past external auditor of the Company; and
- (e) have a significant business relationship with the Company.

In terms of Code provision 3.4, each non-executive Director has declared in writing to the Board that he/she undertakes:

- to maintain in all circumstances his/her independence of analysis, decision and action;
- not to seek or accept any unreasonable advantages that could be considered as compromising his/her
- independence; and;
- to clearly express his/her opposition in the event that he/she finds that a decision of the Board may harm the Company.

Each non-executive Director has complied with such an undertaking for the period under review.

#### ***Principles 4 and 5: The Responsibilities of the Board and Board Meetings***

The Board of Directors is entrusted with the overall direction, administration and management of the Company and meets on a regular basis to discuss and take decisions on matters concerning the strategy, operational performance and financial performance of the Company.

In fulfilling its mandate, the Board assumes responsibility to:

- (a) establish appropriate corporate governance standards;
- (b) review, evaluate and approve, on a regular basis, long-term plans for the Company;
- (c) review, evaluate and approve the Company's budgets and forecasts;
- (d) review, evaluate and approve major resource allocations and capital investments;
- (e) review the financial and operating results of the Company;
- (f) ensure appropriate policies and procedures are in place to manage risks and internal control;
- (g) review, evaluate and approve the overall corporate organisation structure, the assignment of management responsibilities and plans for senior management development including succession;
- (h) review, evaluate and approve compensation of senior management;
- (i) review periodically the Company's objectives and policies relating to social, health and safety and environmental responsibilities; and
- (j) ensuring effective communication with shareholders, stakeholders and the market.

In fulfilling its responsibilities, the Board continuously assesses and monitors the Company's present and future operations, opportunities, threats, and risks in the external environment, and its current and future strengths and weaknesses in its internal environment.

The Board delegates specific responsibilities to Board committees, namely the Audit Committee, the RemNom Committee, the Governance and Risk Committee and the Investment Committee.

The Board believes that it complies fully with the requirements of Principle 5 and the relative Code provisions, in that it has systems in place to ensure reasonable notice of meetings of the Board and ensuring that the Directors receive discussion papers in advance of meetings so as to provide adequate time for Directors to adequately and suitably prepare themselves and enable them to make an informed decision during meetings of the Board.

The Directors are assisted by the company secretary, who is consulted to ensure compliance with statutory requirements and with continuing listing obligations. The company secretary keeps detailed minutes of all meetings of the Board and of its committees, which minutes are subsequently circulated to the Board as soon as practicable after the meeting.

The company secretary also maintains detailed records of all dealings by Directors and senior executives of the Company and its subsidiaries in the Company's shares, and assists the Board and senior management in being duly informed of, and conversant with, their obligations emanating from the Market Abuse Regulation (EU Regulation 596/2014) ("**MAR**") and ensuring compliance therewith, to ensure the prevention and detection of insider dealing, unlawful disclosure of inside information and, or market abuse. In particular, cognisant of the material consequences of non-compliance with MAR and the effects thereof on investor confidence and market integrity, the Board has in place written policies and procedures relating to the keeping of permanent and temporary insiders lists, dealing in shares of the Company, and procedures for persons in possession of inside information.

In addition, the Directors may, in the course of their duties, seek independent professional advice on any aspect of their duties and responsibilities or the business and activities of the Company, at the Company's expense.

During the period under review, the Board met eight (8) times. As a matter of policy, the Board seeks to meet at least twice every quarter, and a policy was established whereby early in the calendar year, meetings are scheduled for the full year, to allow adequate planning and time commitment, subject to the addition of ad hoc meetings as and when considered necessary.

<b>Name</b>	<b>Capacity</b>	<b>Meetings attended while in office</b>
Prof. Juanito Camilleri	Non-Executive (Chairman) (until 28 February 2022)	[8] / [8]
Mr. Conrad Aquilina	Non-Executive	[8] / [8]
Mr. Keith Busuttil	Non-Executive	[8] / [8]
Ms. Jacqueline Camilleri	Independent Non-Executive	[8] / [8]
Mr. Georgios T. Kakouras	Non-Executive	[7] / [8]
Mr. Stephen Paris	Independent Non-Executive	[8] / [8]

#### **Principle 6: Information and Professional Development**

On joining the Board, Board members undergo a formal induction programme, whereby the company secretary informs the incoming members of their statutory director duties and obligations, the requirements and implications of relevant legislation, as well as their rights, duties, and obligations under the Company's Articles of Association and internal policies and procedures. Directors are also provided with a presentation on the activities of the Company and subsidiaries.

On a regular basis, the Directors also receive periodic information on the Group's financial performance and position. The company secretary ensures effective information flows within the Board, committees and between senior management and Directors, as well as facilitating professional development. The company secretary advises the Board on governance matters. Directors may, in the course of their duties, seek independent professional advice on any matter at the Company's expense. In addition, the Board and its committees are given adequate and suitable resources to duly discharge their functions in a proper and effective manner.

The CEO is responsible for ensuring that management and employees have access to development and training opportunities to retain and enhance the Group's competitive positioning, to safeguard and augment staff morale, and to ensure effective continuity and succession planning. The Company will provide for additional individual Directors' training on an as required basis.

#### **Principle 7: Evaluation of the Board's Performance**

The Board is of the view that over the period under review, all members of the Board, individually and collectively, have contributed to proceedings in line with the required levels of diligence and skill. In addition, the Board believes that its current composition endows the Board with a cross-section of skills and experience and achieves the appropriate balance required for it to function effectively.

The Board considers its own performance, and that of its committees as described in Principle 8 hereunder, as satisfactory and not meriting a revision to the Company's corporate governance structures. The Board does not consider it necessary to appoint a committee to carry out a performance evaluation of its role, as the Board's performance is evaluated on an ongoing basis by, and is subject to the constant scrutiny of, the Board itself, the Company's shareholders, the market and the rules by which the Company is regulated as a listed company.



## **Principle 8: Committees**

### **Audit Committee**

The Audit Committee's primary objective is to assist the Board in fulfilling its oversight responsibilities over the financial reporting processes, and the system of internal controls, the audit process and the process for monitoring compliance with applicable laws and regulations. The Audit Committee oversees the conduct of the internal and external audit and acts to facilitate communication between the Board, management and the internal and external auditors. The external auditors are invited to attend the Audit Committee meetings. The Audit Committee reports directly to the Board.

The Board has set formal terms of establishment and terms of reference of the Audit Committee, which set out its composition, role, function, and the parameters of its remit, as well as the procedures and processes to be complied with in its activities.

The Audit Committee is expected to deal with and advise the Board on issues of financial risk, control and compliance, and associated assurance of the Company, including:

- i. ensuring that the Company adopts, maintains and, at all times, applies appropriate accounting and financial reporting processes and procedures;
- ii. monitoring of the audit of the Company's management and annual accounts;
- iii. facilitating the independence of the external audit process and addressing issues arising from the audit process and ensuring good communication between internal and external audit activities, as applicable;
- iv. reviewing of the systems and procedures of internal control implemented by management and of the financial statements, disclosures and adequacy of financial reporting;
- v. making of recommendations to the Board in relation to the appointment of the external auditors and the approval of the remuneration and terms of engagement of the external auditors, following the relative appointment by the shareholders in the annual general meeting;
- vi. monitoring and reviewing of the external auditors' independence and, in particular, the provision of additional services to the Company; and
- vii. ensuring that the Company, at all times, maintains effective financial risk management and internal financial and auditing control systems, including compliance functions.

Furthermore, the Audit Committee has the role of assessing any potential conflicts of interest between the duties of the Directors and their respective private interests or duties unrelated to the Company.

In addition, the Audit Committee has the role and function of evaluating any proposed transaction to be entered into by the Company and a related party (which term shall have the same meaning as in the international accounting standards adopted in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council) to ensure that the execution of any such transaction is at arm's length, on a commercial basis and ultimately in the best interests of the Company.

Any proposed transaction which the Company wishes to enter into and which satisfies either of the following conditions shall be referred to the Audit Committee for its consideration and approval:

- (i) transactions which clearly fall within the ambit of the Capital Markets Rules as 'related party transactions' and which are not the subject of an exemption therefrom; and
- (ii) transactions in respect of which management is not certain as to whether they fall within the ambits of the Capital Markets Rules as related party transactions or in respect of which there is uncertainty as to whether any one or more exemptions should apply to the proposed transactions.

At the meeting convened for this purpose, the Audit Committee shall consider the proposed transaction and first determine whether it is a transaction that falls within the ambit of the applicable Capital Markets Rules and, if it so determines, shall then consider the merits of the proposed transaction.

In its evaluation of the proposed transaction, the Audit Committee is at all times guided by the best interests of the Company and its general body of shareholders taken as a whole. The Audit Committee reports to the Board on its findings and makes its recommendations to the Board as to whether the transaction should be entered into in the first place and to make such further recommendations as to any matters that, in the opinion of the Audit Committee, need to be reviewed or improved in the proposed transaction or any of its terms so as to ensure that the best interests of the Company are properly safeguarded.

The Audit Committee is made up entirely of non-executive Directors, the majority of whom are independent of the Company. Audit Committee members are appointed for a one (1) year term of office, automatically renewed for further periods of one (1) year each unless otherwise determined by the Board of Directors of the Company, or unless removed and replaced by another member by the Board of

Directors in accordance with the Capital Markets Rules. During the period under review, the Audit Committee was composed of Ms. Jacqueline Camilleri (independent and non-executive Director), Mr. Stephen Paris (independent and non-executive Director) and Mr. Keith Busuttil (non-executive Director). Following his appointment as Chairman of the Board, Mr. Keith Busuttil was replaced by Mr. Georgios Kakouras (non-Executive Director) as Audit Committee member.

The Chairperson of the Audit Committee, appointed by the Board, is entrusted with reporting to the Board on the workings and findings of the Audit Committee. Ms. Jacqueline Camilleri occupied the post of Chairperson of the Audit Committee during the period under review. The independent non-executive directors forming part of the Audit Committee are considered by the Board to be competent in accounting and/or auditing in terms of the Capital Markets Rules, based on their respective extensive experience occupying financial management and auditing roles within various private and public entities, as well as their respective skills and competencies in financial reporting, financial management, financial auditing and general financial advisory.

The Audit Committee met five (5) times during the year under review. The meetings of the Audit Committee were attended by all its members during the period under review. The Audit Committee is scheduled to meet at least four times in 2022.

### ***RemNom Committee***

In view of its size, the Company is of the view that whilst it considers the role and function of each of the remuneration committee and the nomination committee as important, it would be more efficient for these committees to be merged into one committee (the "RemNom Committee") that would serve a dual role. During the period under review the RemNom Committee was composed of Prof. Juanito Camilleri (who also acted as its Chairman, until his effective resignation on 28 February 2022), Ms. Jacqueline Camilleri and Mr. Stephen Paris. On 14 March 2022, Mr. Keith Busuttil was appointed as Chairman of the RemNom Committee.

In its function as remuneration committee, the RemNom Committee is delegated with the oversight of the remuneration policies implemented by the Company with respect to the Board of Directors, the CEO and individuals who report directly to the Board of Directors. In assisting and making recommendations to the Board of Directors in setting out the Company's remuneration policy, the RemNom Committee seeks to formulate remuneration policies aimed at attracting, retaining and motivating directors, whether executive or non-executive, as well as senior management with the right qualities and skills for the benefit of the Company. In turn, it is responsible for making proposals to the Board on the individual remuneration packages of directors and senior executives and is entrusted with monitoring the level and structure of remuneration of the non-executive directors. In addition, the RemNom Committee is responsible for reviewing the performance-based remuneration incentives that may be adopted by the Company from time to time and is authorised to determine whether a performance-based bonus or other incentive should be paid out or otherwise.

In its function as nomination committee, the RemNom Committee's task is to propose to the Board candidates for the position of director, including persons considered to be independent in terms of the Capital Markets Rules, whilst also considering any recommendations from or nominations made by the shareholders in accordance with the Articles of Association of the Company.

The nominations committee also periodically assesses the structure, size, composition and performance of the Board and make recommendations to the Board regarding any changes, as well as consider issues related to succession planning. When fulfilling this function, the committee assesses the individual skills, knowledge and experience of the Directors, in order to ensure that that these endow the Board with the requisite collective skills, knowledge and experience for the proper functioning of the Company and its oversight by the Board. It is also entrusted with reviewing the Board's policy for selection and appointment of senior management.

The nominations committee is empowered by the Articles of Association of the Company to reject any recommendation made to it if, in its considered opinion, the appointment of the person so recommended as a Director could be detrimental to the Company's interests, or if such person is not considered fit and proper to occupy that position. The committee and the existing Board members themselves may also make recommendations for the appointment of new directors at the annual general meeting. Where the number of candidates approved by the nominations committee is greater than the number of vacancies on the Board, an election would take place in accordance with the provisions of the Articles of Association of the Company. In this respect, it is pertinent to note that, in advance of the 2021 annual general meeting, the Nominations Committee received two (2) valid nominations for the appointment of incumbent Non-Executive Directors, Prof. Juanito Camilleri and Mr. Georgios Kakouras, which nominations were approved by the Nominations Committee and both approved candidates were automatically appointed, without requiring a resolution to be voted upon in view of the fact that the number of approved candidates did not exceed the number of vacancies and that no shareholder holding not less than ten per cent (10%) in nominal value of the shares having voting rights demanded that a vote be taken in respect of all or any one or more of the approved candidates.

The RemNom Committee met once during the period under review and is scheduled to meet in advance of and following the Company's next annual general meeting, in addition to meetings which may be held from time to time and as may be required.



### ***Governance and Risk Committee***

Cognizant of the critical importance of adopting a risk-based approach to its business and operations, and as part of its endeavours to ensure proper and effective risk management, the Company has established a governance and risk committee (the "Governance and Risk Committee" or the "GRC"). The GRC is entrusted with:

- i. assisting management of each business component with the identification of risks to which the Group and its business and operations are, or may be, exposed to including, but not limited to, client risk, transaction risk, enterprise and business risk, jurisdictional risk, product risk, and delivery risk, among others;
- ii. risk quantification to assess the potential likelihood of the occurrence of the risks identified and the potential impact of such occurrence;
- iii. oversight of screening of existing and potential customers and suppliers, including know-your-customer and due diligence verifications, and ongoing due diligence thereafter;
- iv. the design, implementation, and oversight of risk management internal policies, procedures, processes, controls, systems and governance structures;
- v. the ongoing monitoring and evaluation of risks;
- vi. reporting on findings of evaluations undertaken and recommendations to address weaknesses or deficiencies in the processes and procedures of the Group; and
- vii. effective and timely implementation of remedial actions to address governance and risk management deficiencies.

The GRC reports directly to the Board of Directors of the Company. During the period under review, the GRC was composed of Mr. Stephen Paris (Chairman), Ms. Jacqueline Camilleri and Mr. Conrad Aquilina. In determining the composition of the GRC, a balance is sought between expertise and experience in legal and regulatory affairs, compliance with anti-money laundering legislation, and I.T. and technical expertise, including in particular cyber-security. The CEO of the Company, together with members of senior management, may be invited to meetings of the GRC from time to time as observers.

When identifying, evaluating and monitoring the risks to which the Group is, or may become, exposed to, the GRC adopts a three-pronged approach to risk assessments comprised of risk identification, risk quantification and risk evaluation. Where appropriate, the GRC seeks to identify and introduce the appropriate measures to be implemented to properly and effectively manage the risks identified.

The GRC met four times during the period under review and is scheduled to meet four times during the current financial year, in addition to meetings which may be held from time to time and as may be required.

### ***Investment Committee***

On the 3 August, 2021, the Board of Directors resolved to establish an Investment Committee, composed of Mr. Keith Busuttil, who was entrusted to chair the committee, Mr. Georgios Kakouras, Mr. Stephen Paris and the CEO, the primary purpose of which is that of determining what investments and, or divestments the Company should undertake within the parameters of the Group's strategic plan in this respect as determined by the Board from time to time.

Additionally, the Investment Committee is entrusted with the review of the aforementioned strategic plan, as well as prospective investments and, or divestments, and their funding requirements, as proposed from time to time, and once approved, the Investment Committee is tasked with overseeing their implementation and keeping the Board abreast of developments relating thereto. The Investment Committee is also responsible for monitoring emerging risks and opportunities, industry and regulatory developments as well as key business developments, which could impact the Group's investment strategy.

During the financial year under review, the Investment Committee held 2 meetings, and is scheduled to meet at least 4 during the course of the current financial year.

### ***Principles 9 and 10: Relations with Shareholders and with the Market, and Institutional Shareholders***

The Company recognises the importance of maintaining a dialogue with its shareholders and of keeping the market informed to ensure that its strategies and performance are well understood. The Company is highly committed to having an open channel of communication and effective relationship with its shareholders and the wider market.

The Company communicates with its shareholders principally through the Company's Annual General Meeting (the "AGM"). The Chairman of the Board ensures that all Directors attend the AGM and that both the Chairman of the Board and the Chairperson of the Audit Committee, the RemNom Committee, the Governance and Risk Committee and the Investment Committee are available to answer

questions. Individual shareholders can raise matters relating to their shareholdings and the business of the Group at any time throughout the year and are given the opportunity to ask questions at the AGM or to submit written questions in advance.

Both the Chairman and CEO also ensure that sufficient contact is maintained with major shareholders to understand issues and concerns.

Apart from the AGM, the Company communicates with its shareholders by way of the Annual Report and Financial Statements and through the Company's website (<https://harvest.tech/>) which also contains information about the Company and its business, including an 'Investor Relations' section.

The office of the company secretary also assists the Board in maintaining regular communication between the Company and its investors through the publication of company announcements.

The Company ensures that the market is provided with regular, timely, accurate, comprehensive, and comparable information to enable existing and prospective investors to make informed investment decisions. In this respect, over and above its statutory and regulatory requirements relating to the AGM, the publication of annual and interim financial statements, interim directors' statements and Company announcements, the Company seeks to engage with investors and the market on a regular basis, and the Company holds meetings with major stockbrokers and financial intermediaries.

### **Principle 11: Conflicts of Interest**

The Directors are fully aware of their responsibility to always act in the best interests of the Company and its shareholders irrespective of whoever appointed or elected them to serve on the Board.

On joining the Board and regularly thereafter, the Directors are informed of their obligations on dealing in securities of the Company within the parameters of law, including the Capital Markets Rules, and Directors follow the required notification procedures.

It is the practice of the Board that when a potential conflict of interest arises in connection with any transaction or other matter, the potential conflict of interest is declared, so that steps may be taken to ensure that such items are appropriately addressed. By virtue of the Memorandum and Articles of Association, the Directors are obliged to keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with that of the Company. The Board member concerned shall not take part in the assessment by the Board as to whether a conflict of interest exists. A director shall not vote in respect of any contract, arrangement, transaction or proposal in which he/she has a material interest in accordance with the Memorandum and Articles of Association of the Company. The Board believes that this is a procedure that achieves compliance with both the letter and rationale of Principle 11 of the Code. In situations giving rise to potential conflicts of interest, the conflicted Directors are to act in accordance with the majority decision of those Directors who are not conflicted in the proposed contract, transaction, or arrangement, and in line with the advice of independent legal advice, where required.

During the period under review, the Company did not enter into any material agreements in which any one of the Directors was, directly or indirectly, interested.

Any material transactions with related parties, which pose intrinsic potential conflicts of interests, require the approval of the Audit Committee, which is charged with ensuring that such transactions are necessary for the conduct of the Company's business and are transacted on an arm's length basis. Furthermore, such material transactions with related party transactions are subject to the Listing Rules regulating the approval process for transactions of such nature, including disclosure and shareholder approval requirements that may apply if certain conditions are met.

Save as stated below, the Directors are not aware of any potential conflicts of interest which could relate to their roles within the Company:

- i. Ms. Jacqueline Camilleri sits on the Board of Directors of other companies forming part of the group of companies of which the majority shareholder of the Company (1923 Investments p.l.c.) (C 63261) forms part, namely Hili Finance Company p.l.c. (C 85692);
- ii. Mr. Georgios T. Kakouras sits on the Board of Directors of Hili Properties p.l.c. (C 57954), which forms part of the group of companies which includes 1923 Investments p.l.c.;
- iii. Mr. Conrad Aquilina is a member of the senior management team of Hili Ventures Limited (C 57902), the parent company of 1923 Investments p.l.c.
- iv. Mr. Keith Busuttill occupies the position of CEO of 1923 Investments p.l.c.; and
- v. Mr. Peter Hili sits on the Board of Directors of Hili Properties p.l.c.

None of the Directors held any disclosable interest in any contracts or arrangements either subsisting at the end of the last financial year or entered during this financial year.



## **Principle 12: Corporate Social Responsibility**

The Directors also seek to adhere to accepted principles of corporate social responsibility in their management practices of the Company in relation to the Group's workforce and the community in general.

Over the period under review, the Group has supported several organisations engaged in charitable and philanthropic work.

The Group recognises that its workforce is one of its main assets, essential for achieving its objectives and sustained growth. The Group recognises the need to embed good governance in its day-to-day operations and, for this purpose, has introduced a Code of Conduct that establishes the general guidelines governing the conduct of all of its employees in fulfilling their functions and their commercial and professional relations.

As the Covid-19 pandemic wore on, the Group adopted a work-from-home policy with a view to protecting its staff from unnecessary contact and commuting, as well as keeping in line with the Group's objective to introduce employee friendly measures when it comes to employment flexibility. This strategy proved to be successful with minimal disruptions to clients and other business partners. The Board of Directors kept developments surrounding the Covid-19 pandemic under constant review, on both a national and international front, with a view to ensuring that any immediate action is taken should it be required.

## **C. NON-COMPLIANCE WITH THE CODE**

### **Code Provision**

### **Explanation**

#### **Principle 2: Chairman and Chief Executive (Code provision 2.3)**

During the year under review, the post of Chairman of the Board of Directors of the Company was occupied by Prof. Juanito Camilleri, a non-executive director. Although Code provision 2.3 provides that the Chairman should meet the independence criteria set out in the Code, the Board of Directors was of the view that Prof. Camilleri was well-placed to occupy the role of Chairman, including but not limitedly by virtue of his in-depth knowledge of the Company and underlying management structure across the Group commensurate and attuned with the demands and expectations of the technology sector, to which he has had extensive and far-reaching exposure since its inception locally. Similarly, the Board considers that Mr. Keith Busuttil is well-placed to lead the Board, particularly in light of the change in strategic direction which the Board is looking to adopt in the near future with a view to maximizing opportunities for growth and securing acquisitions suitable to the Company.

#### **Principle 3: Executive and Non-Executive Directors on the Board**

As explained in Principle 3 in Section B, the Board is composed entirely of non-executive Directors.

The Company is of the view that the composition of the Board of Directors is suitable when taking into account the following considerations: (i) ultimately, the Company acts as the holding company of the Group, with no day-to-day operational activities of its own. Rather, the day-to-day activities of the Company are the setting of the strategic direction and overall oversight thereof, being an activity that non-executive directors are well suited to be entrusted with; (ii) the CEO and the CFO are invited as observers at the meetings of the Board of Directors of the Company, acting as the liaison between the senior management of the Company and the Board of Directors; and (iii) the managing directors of each operating subsidiary of the Company (that is, of PTL Limited, Apco Limited, Apco Systems Limited, and Ipsyon Limited) report directly to the CEO, ensuring a regular and open communication channel among members of the senior management team.

**Principle 4:**  
**Succession Policy for the Board**  
**(Code provision 4.2.7)**

Although the Chief Executive Officer (CEO) is responsible for the recruitment and appointment of senior management, the Company has not established a formal succession plan policy for the future composition of the Board of Directors as recommended by Code provision 4.2.7. In practice, however, the Board and CEO are actively engaged in succession planning and in ensuring that appropriate schemes to recruit, retain and motivate employees and senior management are in place.

**Principle 7:**  
**Evaluation of the Board's**  
**Performance (Code provision 7.1)**

The Board has not appointed a committee for the purpose of undertaking an evaluation of the Board's performance in accordance with the requirements of Code provision 7.1.

Having conducted an informal review of its own performance over the period under review it is the Board's view that all members of the Board, individually and collectively, have contributed in line with the required levels of diligence and skill. In addition, the Board believes that its current composition endows the Board with a cross-section of skills and experience, not only with respect to the specific business of the Company, but also in a wider range of business areas and skills. This process was conducted by the Board itself rather than by a committee chaired by a non-executive Director as required by the Code.

The Board believes that the size of the Company and the Board itself does not warrant the establishment of a committee specifically for the purpose of carrying out a performance evaluation of its role. Whilst the requirement under Code provision 7.1 might be useful in the context of larger companies having a more complex set-up and a larger Board, the size of the Company's Board is such that it should enable it to evaluate its own performance without the requirement of setting up an ad-hoc committee for this purpose. The Board shall retain this matter under review over the coming year.

**Principle 8:**  
**Committees**  
**(Code provision 8.A – Remuneration**  
**Committee)**

During the year under review, the post of Chairman of the RemNom Committee of the Company was occupied by Prof. Juanito Camilleri, a non-executive director and Chairman of the Board of Directors. Although Code provision 8.A.1 requires that the Chairman of the remuneration committee be an independent non-executive director, the Board of Directors was of the view that Prof. Camilleri was well-placed to occupy the role of Chairman, including but not limitedly by virtue of his in-depth knowledge of the Company and underlying management structure across the Group, and ability to formulate proposals relative to the remuneration of directors and senior executives of the Group commensurate and attuned with the demands and expectations of the technology sector, to which he has had extensive and far-reaching exposure since its inception locally. Similarly, the Board considers Prof. Camilleri's replacement on the RemNom Committee, Mr. Keith Busuttil, to be well-placed to chair such committee. The Board considers that the terms of reference of the RemNom Committee are such as to ensure that the proper and impartial functioning of the RemNom Committee are not impacted, in any manner, by the status of the particular director holding the post of Chairman of the RemNom Committee.

**Principle 9:**  
**Relations with shareholders and the**  
**market (Code provision 9.3)**

There are no formal procedures in place within the Company for the resolution of conflicts between minority and controlling shareholders, nor do the Memorandum and Articles of Association of the Company contemplate any mechanism for arbitration in these instances.

**Principle 9:**  
**Relations with shareholders and the**  
**market (Code provision 9.4)**

The Company does not have a formal policy in place to allow minority shareholders to present an issue to the Board. In practice, however, the open channel of communication between the Company and minority shareholders via the office of the Company Secretary and the Chairman is such that any issue that may merit bringing to the attention of the Board may be transmitted via the Company Secretary or the Chairman, who is in attendance at all meetings of the Board of Directors. Furthermore, the Company is in contact with the Malta Association of Small Shareholders (MASS) which may, from time to time, bring matters of interest to private investors to the attention of the Board, for its consideration.

## D. INTERNAL CONTROLS

The key features of the Group's system of internal controls are as follows:

### **Organisation**

The boards of directors of the Company's subsidiaries (that is, of PTL Limited, Apco Limited, Apco Systems Limited, and Ipsyon Limited) are subject to clear reporting lines and delegation of powers.

During the period under review (and until his resignation which took effect from the 28 February 2022), as the Company's Chairman Prof. Juanito Camilleri occupied the post of Chairman of the board of directors of the Company's subsidiary companies. With effect from 22 March, 2022, Mr. Keith Busuttil assumed the role of director and Chairman of the board of the subsidiaries.

The CEO and the Chief Financial Officer (CFO) are invited as observers at the meetings of the Board of Directors of the Company, acting as the liaison between the senior management of the Company and the Board of Directors; and (iii) the managing directors of each operating subsidiary report directly to the CEO, ensuring a regular and open communication channel among members of the senior management team.

### **Control environment**

The Group is committed to the highest standards of business conduct and seeks to maintain these standards across all its operations. Although the Company has not appointed an internal auditor, the Board of Directors believes that the combination of checks and balances on the finance function of the Company, including the remit and responsibilities of the Audit Committee and the Governance and Risk Committee, the Company's finance policies and procedures, as well as the Company's statutory and legal obligations as a listed entity, provide adequate and suitable controls that are commensurate with the size and complexity of its business and operations. The Board of Directors will retain this matter under review in the coming year.

As part of the good governance best practices adopted by the Group, the Group implements various policies, procedures, systems and controls, designed to detect, prevent, and properly and effectively mitigate and manage legal, regulatory, business and commercial risks to which the Group is or may become exposed to. In this respect, the Group has also adopted the following policies:

- **Code of Conduct and Whistle-blower Policy:** this policy sets out the Group's approach to the prevention and detection of corrupt practices or bribery, as well as setting adequate deterrents and punitive measures to discourage such conduct and to promote employees to blow the whistle on such conduct.
- **Health and Safety Policy:** this policy sets out the Group's approach to ensuring a safe and secure work environment, providing employees with guidance as to the pre-emptive or resolute measures to be implemented when dealing with unsafe or hazardous conditions, injuries or accidents arising in the course of the activities of the Group. In turn this policy is supplemented by a comprehensive Health and Safety Manual, providing a detailed instructions and guidance manual on the processes and procedures to be followed. In this respect, the Group has appointed a dedicated Health & Safety Officer, responsible for overseeing compliance with the Group's policy and for handling incidents that may arise from time to time. The Group undertakes a periodic risk assessment, with the objective of identifying any weaknesses in the Group's property, plant and equipment, or in its internal systems and controls and so assess how this may impact the Group's exposure to risks associated with health and safety and what rectifying measures ought to be implemented.
- **Information Security Policies:** this set of policies sets out the Group's approach towards ensuring that all users and networks within the Group meet minimum Information Technology (IT) security and data protection security requirements.

Each policy sets out clear reporting lines, to enable employees to disclose incidents to their superiors in a confidential and secure manner, without fear of reprisal. Policies are periodically reviewed and updated.

The Group has an appropriate organisational structure for financial planning, executing, controlling and monitoring business operations in order to achieve Group objectives. Measures taken include physical controls, segregation of duties and reviews by management and the external auditors. Lines of responsibility and delegation of authority are documented.

The Group and the subsidiary companies comprising it have implemented control procedures designed to ensure complete and accurate accounting for financial transactions and to limit the potential exposure to loss of assets or fraud. In particular, the Group adopts:

- **Finance Policies and Procedures:** designed to ensure best practices in internal controls by management and members of staff. These policies and procedures cover procurement, credit control, travel policies, credit card payments, bank reconciliations among others; and



- **HR policies and procedures:** which govern best practices in employee recruiting, career development, training, performance management, termination of contract, among others.

These policies, procedures, controls and systems are reviewed from time to time in order to reflect new operational and market realities, ensuring that the Group evolves in tandem with the latest developments in a timely manner, seeking pre-empting challenges and maximising potential.

The Group is committed to legal and regulatory compliance and devotes significant attention to promoting and ensuring acquiescence with the legal and regulatory framework affecting its various operations. Throughout the period under review, the Group had its own inhouse legal counsel. In addition the Company is able to engage third party legal experts where necessary through ongoing and, or ad hoc arrangements, in order to provide sector-specific legal and advice and the necessary support and assistance, with the objective of properly mitigating the business and legal risks of undertaking its activities.

### ***Risk identification and assessment***

Group management is responsible together with each of the subsidiary companies' management, for the identification and evaluation of key risks applicable to their areas of business. These risks are assessed on a continual basis and may be associated with a variety of internal or external sources including control breakdowns, disruption in information systems, competition, natural catastrophe and regulatory requirements. The Governance and Risk Committee, the setting up of which transcends the principles set out in the Code, plays a central role in this risk assessment, monitoring and control process.

### ***Information and communication***

Group companies participate in periodic strategic reviews, which include consideration of long-term financial projections and the evaluation of business alternatives.

### ***Monitoring and corrective action***

There are clear and consistent procedures in place for monitoring the system of internal financial controls. The Audit Committee plans to meet regularly during the year and, within its terms of reference as approved by the MFSA, reviews the effectiveness of the Group's systems of internal financial controls. The Audit Committee receives reports from management and the external auditors.

## **E. GENERAL MEETINGS**

### ***Annual General Meeting (AGM)***

The AGM is the highest decision-making body of the Company.

All shareholders registered in the shareholders' register at the relevant registration record date, have the right to participate in the AGM and to vote thereat. A shareholder who cannot participate in at the AGM can be represented by proxy.

A general meeting is deemed to have been duly convened if at least twenty-one (21) days' notice is given in writing to all persons entitled to receive such notice, which must specify the place, the day and the hour of the meeting, and in case of special business, the general nature of that business, and shall be accompanied by a statement regarding the effect and scope of any proposed resolution in respect of such special business. The notice period may be reduced to fourteen (14) days if certain conditions are satisfied. The quorum of Shareholders required is not less than fifty-one per cent (51%) of the nominal value of the issued Shares entitled to attend and vote at the meeting.

The agenda of the AGM will comprise of the ordinary business of the AGM, covering the presentation and approval of the Annual Report and Financial Statements, the declaration of dividends, election of Directors and the approval of their remuneration, the appointment of the auditors and the authorisation of the Directors to set the auditors' fees, together with any special business specified in the notice calling the AGM.

### ***Extraordinary general meetings (EGMs)***

The Directors may convene an extraordinary general meeting whenever they think fit. In addition, any two members or more of the Company holding at least ten per cent (10%) of the shares conferring a right to attend and vote at general meetings of the Company, may convene an extraordinary general meeting.

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	The Group 2021 €	The Group 2020 €	The Company 2021 €	The Company 2020 €
<b>REVENUE</b>	<b>6</b>	<b>15,747,511</b>	<b>19,217,368</b>	<b>335,498</b>	<b>399,186</b>
Cost of sales		(7,784,872)	(10,586,874)	-	-
GROSS PROFIT		7,962,639	8,630,494	335,498	399,186
Other operating income	7	45,949	18,822	-	-
Administrative expenses		(4,001,082)	(4,006,084)	(1,282,558)	(896,991)
<b>OPERATING PROFIT / (LOSS)</b>		<b>4,007,506</b>	<b>4,643,232</b>	<b>(947,060)</b>	<b>(497,805)</b>
Investment income	8	-	-	4,442,525	3,277,208
Gain on lease termination		57,700	-	-	-
Finance income	9	430	1,104	26,778	53,298
Finance costs	10	(62,910)	(144,947)	(20,494)	(74,525)
<b>PROFIT BEFORE TAX</b>	<b>11</b>	<b>4,002,726</b>	<b>4,499,389</b>	<b>3,501,749</b>	<b>2,758,176</b>
Tax expense	14	(1,309,207)	(1,458,730)	(1,215,449)	(948,369)
<b>PROFIT FOR THE YEAR</b>		<b>2,693,519</b>	<b>3,040,659</b>	<b>2,286,300</b>	<b>1,809,807</b>
<b>EARNINGS PER SHARE</b>	<b>16</b>	<b>0.1182</b>	<b>0.1335</b>	<b>-</b>	<b>-</b>

# STATEMENTS OF FINANCIAL POSITION

	Notes	The Group 2021 €	The Group 2020 €	The Company 2021 €	The Company 2020 €
<b>ASSETS</b>					
Non-current					
Goodwill	17	7,493,487	7,493,487	-	-
Intangible assets	18	1,176,895	1,273,980	4,055	8,110
Plant and equipment	19	142,255	191,944	3,532	2,618
Right-of-use assets	20	788,950	1,681,503	536,845	-
Investment in subsidiaries	22	-	-	11,119,723	11,119,723
Other investments	24	149,977	50,000	149,977	50,000
Loans and receivables	25	-	-	200,000	350,000
Deferred tax assets	36	410,050	395,548	109,635	105,223
		<b>10,161,614</b>	<b>11,086,462</b>	<b>12,123,767</b>	<b>11,635,674</b>
<b>CURRENT</b>					
Inventories	26	2,156,966	2,023,647	-	-
Loans and receivables	25	-	-	-	443,000
Contract assets	6	662,843	1,749,577	-	-
Other assets	27	48,480	113,350	10,870	9,204
Trade and other receivables	28	5,973,040	2,697,327	54,355	5,000
Current tax assets		620,302	401,518	503,699	401,517
Cash and cash equivalents	29	2,999,405	2,554,041	1,071,116	226,415
		<b>12,461,036</b>	<b>9,539,460</b>	<b>1,640,040</b>	<b>1,085,136</b>
<b>TOTAL ASSETS</b>		<b>22,622,650</b>	<b>20,625,922</b>	<b>13,763,807</b>	<b>12,720,810</b>



# STATEMENTS OF FINANCIAL POSITION - CONTINUED

	Notes	The Group 2021	The Group 2020	The Company 2021	The Company 2020
		€	€	€	€
<b>EQUITY</b>					
Share capital	30	11,390,318	11,390,318	11,390,318	11,390,318
Other equity	31	(2,821,365)	(2,821,365)	-	-
Retained earnings		4,829,506	3,503,312	1,602,514	683,060
<b>TOTAL EQUITY</b>		<b>13,398,459</b>	<b>12,072,265</b>	<b>12,992,832</b>	<b>12,073,378</b>
<b>LIABILITIES</b>					
<b>Non-current</b>					
Lease liabilities	21	514,523	1,473,305	337,218	-
Deferred tax liabilities	36	327,758	349,628	-	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>842,281</b>	<b>1,822,933</b>	<b>337,218</b>	<b>-</b>
<b>Current</b>					
Bank borrowings	32	-	465,476	-	-
Lease liabilities	21	291,797	267,613	208,138	-
Trade and other payables	33	3,378,565	3,043,445	225,619	147,432
Contract liabilities	34	4,110,716	1,315,246	-	-
Other financial liabilities	35	-	500,000	-	500,000
Current tax liabilities		600,832	1,138,944	-	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>8,381,910</b>	<b>6,730,724</b>	<b>433,757</b>	<b>647,432</b>
<b>TOTAL LIABILITIES</b>		<b>9,224,191</b>	<b>8,553,657</b>	<b>770,975</b>	<b>647,432</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>22,622,650</b>	<b>20,625,922</b>	<b>13,763,807</b>	<b>12,720,810</b>

The financial statements were approved and authorised for issue by the Board of Directors on 8 April 2022. The financial statements were signed on behalf of the Board of Directors by Mr. Keith Busuttill (Chairman and Director) and Mr. Stephen Paris (Director) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Financial Report.

## STATEMENT OF CHANGES IN EQUITY – THE GROUP

	Share capital €	Other equity €	Retained earnings €	Total equity €
At 1 January 2020	11,390,318	(2,821,365)	1,784,463	10,353,416
Dividends	-	-	(1,321,810)	(1,321,810)
<b>Transactions with owners</b>	-	-	<b>(1,321,810)</b>	<b>(1,321,810)</b>
Profit for the year	-	-	3,040,659	3,040,659
<b>Total comprehensive income</b>	-	-	<b>3,040,659</b>	<b>3,040,659</b>
<b>At 31 December 2020</b>	<b>11,390,318</b>	<b>(2,821,365)</b>	<b>3,503,312</b>	<b>12,072,265</b>
At 1 January 2021	11,390,318	(2,821,365)	3,503,312	12,072,265
Dividends	-	-	(1,367,325)	(1,367,325)
<b>Transactions with owners</b>	-	-	<b>(1,367,325)</b>	<b>(1,367,325)</b>
Profit for the year	-	-	2,693,519	2,693,519
<b>Total comprehensive income</b>	-	-	<b>2,693,519</b>	<b>2,693,519</b>
<b>At 31 December 2021</b>	<b>11,390,318</b>	<b>(2,821,365)</b>	<b>4,829,506</b>	<b>13,398,459</b>

Retained earnings comprise current and prior period results as disclosed in the statements of profit or loss and other comprehensive income.

Retained earnings include an amount of €410,050 (2020: €395,548) relating to deferred tax assets which are undistributable in terms of the Companies Act, Cap. 386.

## STATEMENT OF CHANGES IN EQUITY – THE COMPANY

	Share capital €	Retained earnings €	Total equity €
At 1 January 2020	11,390,318	194,693	11,585,011
Dividends	-	(1,321,440)	(1,321,440)
<b>Transactions with owners</b>	<b>-</b>	<b>(1,321,440)</b>	<b>(1,321,440)</b>
Profit for the year	-	1,809,807	1,809,807
<b>Total comprehensive income</b>	<b>-</b>	<b>1,809,807</b>	<b>1,809,807</b>
<b>At 31 December 2020</b>	<b>11,390,318</b>	<b>683,060</b>	<b>12,073,378</b>
At 1 January 2021	11,390,318	683,060	12,073,378
Dividends	-	(1,366,846)	(1,366,846)
<b>Transactions with owners</b>	<b>-</b>	<b>(1,366,846)</b>	<b>(1,366,846)</b>
Profit for the year	-	2,286,300	2,286,300
<b>Total comprehensive income</b>	<b>-</b>	<b>2,286,300</b>	<b>2,286,300</b>
<b>At 31 December 2021</b>	<b>11,390,318</b>	<b>1,602,514</b>	<b>12,992,832</b>

Retained earnings comprise current and prior period results as disclosed in the statements of profit or loss and other comprehensive income.

Retained earnings include an amount of €109,635 (2020: €105,223) relating to deferred tax assets which are undistributable in terms of the Companies Act, Cap. 386.



# STATEMENTS OF CASH FLOWS

	Notes	The Group 2021 €	The Group 2020 €	The company 2021 €	The company 2020 €
<b>Operating activities</b>					
Profit before tax		4,002,726	4,499,389	3,501,749	2,758,176
Adjustments	37	802,949	880,016	(4,333,291)	(3,250,440)
Net changes in working capital	37	813,565	(520,150)	27,166	112,089
Tax paid		(2,320,858)	(1,163,436)	-	-
Tax refunded		220,964	189,077	220,964	189,077
<b>Net cash generated from (used in) operating activities</b>		<b>3,519,346</b>	<b>3,884,896</b>	<b>(583,412)</b>	<b>(191,098)</b>
<b>Investing activities</b>					
Payments to acquire plant and equipment		(1,579)	(42,117)	(5,008)	(3,928)
Payments to acquire intangible assets		(283,016)	(407,266)	-	(12,165)
Payment to acquire other investments		(99,977)	-	(99,977)	-
Dividends received from subsidiaries		-	-	2,899,518	2,149,630
<b>Net cash (used in) generated from investing activities</b>		<b>(384,572)</b>	<b>(449,383)</b>	<b>2,794,533</b>	<b>2,133,537</b>
<b>Financing activities</b>					
Payments for lease obligations to third parties		(96,750)	(96,055)	-	-
Payments for lease obligations to related company		(197,379)	(193,257)	(98,858)	-
Interest paid on leasing arrangements with third parties		(10,248)	(12,214)	-	-
Interest paid on leasing arrangements with a related company		(40,963)	(62,013)	(11,852)	-
Movement in loans and receivables		-	-	593,000	611,255
Movement in other financial liabilities		(500,000)	(1,221,321)	(500,000)	(1,221,321)
Proceeds from bank loan		-	739,456	-	-
Repayment of bank loan		(292,197)	(647,259)	-	-
Interest received		430	1,104	26,778	53,298
Interest paid on other financial liabilities		(11,699)	(70,720)	(8,642)	(74,525)
Dividends paid		(1,367,325)	(1,321,810)	(1,366,846)	(1,321,440)
<b>Net cash (used in) generated from financing activities</b>		<b>(2,516,131)</b>	<b>(2,884,089)</b>	<b>(1,366,420)</b>	<b>(1,952,733)</b>
Net change in cash and cash equivalents		618,643	551,424	844,701	(10,294)
Cash and cash equivalents, beginning of year		2,380,762	1,829,338	226,415	236,709
<b>Cash and cash equivalents, end of year</b>	<b>29</b>	<b>2,999,405</b>	<b>2,380,762</b>	<b>1,071,116</b>	<b>226,415</b>



# CHANGING THE WAY PEOPLE LIVE AND WORK



# 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 operates an electronic payment gateway. The Company acts as a holding Company.

## 2. GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH IFRS

The Company was incorporated on 23 December 2013. 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.

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 2021

Some accounting pronouncements which have become effective from 1 January 2021 and have therefore been adopted do not have a significant impact on the Company's financial results or position. Accordingly, the Company has made no changes to its accounting policies in 2021.

Other Standards and amendments that are effective for the first time in 2021 and could be applicable to the Company are:

- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16).
- Covid-19 Rent Related Concessions (Amendments to IFRS 16).

These amendments do not have a significant impact on these financial statements and therefore no additional disclosures have not been made.

### 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 by the Group have not been disclosed as they are not expected to have a material impact on the Group's financial statements.

#### **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 2021. 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.

#### **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.

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 operates an electronic payment gateway.

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 contract liabilities in the statement of financial position (see note 34). 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 34). 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 the payment gateway. The Group's revenue is mainly derived from the actual volume of traffic transacted in the reporting period 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 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.

#### **4.17 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.

##### **Internally developed software and acquired licences**

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
Internally developed software and acquired licences	3 – 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.

#### **4.18 PLANT AND EQUIPMENT**

The Group's plant and equipment are classified into the following classes – motor vehicles, furniture, fixtures and fittings and office and computer equipment.

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

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

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

#### **Depreciation**

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

	%
Furniture, fixtures and fittings	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.

#### **4.19 RIGHT-OF-USE ASSETS**

In the case of right-of-use assets, expected useful lives are determined by reference to comparable owned assets or the lease term, if shorter. Material residual value estimates and estimates of useful life are updated as required, but at least annually. For leases on buildings and motor vehicles, the right-of-use assets are being amortised over the lease term as disclosed in note 21.



## **4.20 LEASES**

### ***Measurement and recognition of leases***

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

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

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

Lease payments included in the measurement of the lease liability are made up of fixed payments.

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

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

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

## **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 re-assessed 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 or finance income, except for impairment of trade receivables which is presented within administrative expenses.

### ***Subsequent measurement of financial assets***

#### **Financial assets at amortised cost**

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

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

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

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

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

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

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

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

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

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

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

### **Impairment of financial assets**

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of IFRS 9's requirements include 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).

The Group considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

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

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

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

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

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

#### **Trade and other receivables and contract assets**

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

The Group assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been Grouped based on the days past due. Refer to note 41.2 for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

#### **Classification and measurement of financial liabilities**

The Group's financial liabilities include bank borrowings, lease liabilities and trade and other payables and other financial liabilities. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designates a financial liability at fair value through profit or loss.

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

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

### **4.23 INVENTORIES**

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first in first out 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 CASH AND CASH EQUIVALENTS**

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

#### **4.26 EQUITY**

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

Retained earnings include current period results as disclosed in the statement of profit or loss and other comprehensive income 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.

#### **4.27 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.

#### **4.28 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 4.17).

##### **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 2019, goodwill was allocated as follows:

- €3,357,248 (2018: €3,357,248) to Apco Systems Limited which operates the electronic payment gateway.
- €2,671,762 (2018: €2,671,762) to Apco Limited which operates in the business of selling and maintenance of IT solutions and security systems.
- €1,464,477 (2018: €1,464,477) to PTL Limited business.

The goodwill relating to Apco Systems Limited and to Apco Limited arose in 2014 when the Company acquired those two companies for a combined consideration of €7.06 million. Since Apco Limited and Apco Systems Limited are two separately identifiable Cash Generating Units ('CGUs'), the Company was required to allocate the combined consideration of €7.06 between the two CGUs. At the time of the acquisition, management opted to allocate the €7.06 million combined consideration on the basis of the average Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA') of Apco Limited and Apco Systems Limited.

Based on the Company's internal records, the EBITDAs used to split this combined consideration were €451,000 and €760,000 for Apco Limited and Apco Systems Limited respectively. Thus, based on this allocation mechanism, the combined consideration of €7.06 million was split as follows: €2.63 million for Apco Limited and €4.43 million for Apco Systems Limited. Subsequent to this, a share price agreement reflecting the consideration determined for each Company was entered into separately between the buyer and the seller. The consideration paid for each Company acquired was then compared to the net assets acquired to arrive at the goodwill of each CGU.

During the 2020, management conducted an exercise which was aimed at determining whether certain changes that have taken place since the acquisition of the two CGUs effect the allocation of goodwill that was conducted at the time of acquisition. Whilst noting that that there were no changes in the operations of both Apco Limited and Apco Systems Limited, pre-and post-acquisition, management noted that certain administrative recharges that used to be made from Apco Limited to Apco Systems Limited up to the date of acquisition were no longer being recharged post-acquisition. These recharges of administrative expenses, on average, amounted to €86,400 per annum.

Although the total cash generation capabilities of both CGUs together remained unchanged, the termination of this recharge mechanism resulted in a change in the individual cash generation capabilities of the two CGUs. Apco Limited's cash generating capability from operations (or its EBITDA) is reduced by €86,400 per annum whereas the EBITDA of Apco Systems Limited is increased by the same amount.

Taking the above into consideration it has been determined that goodwill amounting to €503,650 should be reallocated between the two CGUs, that is Apco Limited's goodwill should decrease by €503,650 and conversely, Apco Systems Limited' goodwill should increase by the same amount, as shown below:

	Apco Limited	Apco Systems Limited	Total
	€	€	€
Goodwill recognised up to 31 December 2019	2,671,762	3,357,248	6,029,010
Reallocation	(503,650)	503,650	-
<b>Goodwill at 31 December 2020</b>	<b>2,168,112</b>	<b>3,860,898</b>	<b>6,029,010</b>

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

- €3,860,898 to Apco Systems Limited which operates the electronic payment gateway.
- €2,168,112 to Apco Limited which operates in the business of selling and maintenance of IT solutions and security systems.
- €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 0.2% (2020: 0.1%); and
- use of 13.1 – 15.0% (pre-tax) (2020: 17.9%) to discount the projected cash flows to net present values

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

#### *CGU – IT Solutions and Security Systems*

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

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

- forecasted cash flow projections for the next three years and projection of terminal value using the perpetuity method;
- growth rates to perpetuity of 0.2% (2020: 0.1%); and;
- use of 14.4% – 19.3% (pre-tax) (2020: 14.8% – 25.6%) 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.

## **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 senior management of the Group.

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, EU and non-EU countries.

In 2021, the Group did not have any clients which individually represented 10% or more of the total revenue of the Group.

In 2020, the Group had one significant contract whose revenue exceeded 10% of total revenues as disclosed in note 6. The Group reports its revenue by geographical area in the following table and is divided between revenue generated in Malta, from EU countries and from non-EU countries.

#### Revenue by geographical area

	2021 €	2020 €
Malta	10,559,943	10,281,766
EU countries	2,368,383	3,671,984
Non-EU countries	2,819,185	5,263,618
	<b>15,747,511</b>	<b>19,217,368</b>

The revenue generated from implementation of the border security software solutions in Mauritius amounting to €1,178,108 (2020: €4,119,615) and which represented 7% (2020: 21%) of the Group's total revenue, is reported in the 'Retail and IT Solutions' segment of the Group (refer to the table below). In addition, at the end of the current reporting period, assets and liabilities pertaining to this project include an amount of contract assets for €Nil (2020: €1,460,982) (note 6), inventories amounting to €184,469 (2020: €358,534) (note 26), as well as liabilities amounting to €125,662 (2020: €117,266) (note 33).

As at the end of the reporting period the total amount of intangible assets (including goodwill) and plant and equipment amounted to €8,670,382 (2020: €8,767,467) and €142,255 (2020: €191,944) 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 senior management of the Company 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

	2021 €	2020 €
Total pre-tax profit for reportable segments	4,916,506	4,991,423
Unallocated amounts:		
Holding Company costs plus consolidation adjustment	(913,780)	(492,034)
Group pre-tax profit	<b>4,002,726</b>	<b>4,499,389</b>

## Assets

	2021	2020
	€	€
Total assets for reportable segments	13,920,599	12,993,094
Elimination of receivables	(1,366,123)	(1,365,353)
Unallocated amounts (as per Holding Company):		
Plant and equipment	3,532	2,618
Goodwill	7,493,487	7,493,487
Intangible assets	4,055	8,110
Other investments	149,977	50,000
Loans and receivables	141,473	705,811
Trade and other receivables	54,355	5,000
Cash and cash equivalents	1,071,116	226,415
Deferred tax	109,635	105,223
Current tax asset	503,699	401,517
Right-of-use-asset	536,845	-
	<b>22,622,650</b>	<b>20,625,922</b>

## Liabilities

	2021	2020
	€	€
Total liabilities for reportable segments	9,819,338	9,271,578
Elimination of liabilities	(1,366,123)	(1,365,353)
Unallocated amounts (as per Holding Company)::		
Trade and other payables	225,620	147,432
Lease liability	545,356	-
Other financial liabilities	-	500,000
	<b>9,224,191</b>	<b>8,553,657</b>

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	Total	Unallocated	Eliminations and adjustments	Consolidated
	€	€	€	€	€	€
<b>2021</b>						
Revenue	7,392,971	9,653,463	17,046,434	335,498	(1,634,421)	15,747,511
Profit before tax	3,681,137	1,235,369	4,916,506	3,501,749	(4,415,529)	4,002,726
Depreciation and amortisation	415,595	257,720	673,315	115,518	(47,680)	741,153
Income tax expense	1,293,895	342,870	1,636,765	1,215,449	(1,543,007)	1,309,207
Segment assets	4,029,437	9,891,162	13,920,599	2,644,084	6,057,967	22,622,650
Capital expenditure	285,553	18,557	304,110	5,008	(24,523)	284,595
Segment liabilities	2,054,220	7,765,122	9,819,342	770,976	(1,366,127)	9,224,191
<b>2020</b>						
Revenue	7,796,063	12,987,177	20,783,240	399,186	(1,965,058)	19,217,368
Profit (loss) before tax	4,014,045	977,378	4,991,423	2,758,177	(3,250,211)	4,499,389
Depreciation and amortisation	402,436	391,435	793,871	5,538	(26,996)	772,413
Income tax expense	1,404,915	233,024	1,637,939	948,369	(1,127,578)	1,458,730
Segment assets	4,911,707	8,081,387	12,993,094	1,601,087	6,031,741	20,625,922
Capital expenditure	360,060	73,230	433,290	16,092	-	449,382
Segment liabilities	2,723,732	6,547,846	9,271,578	647,432	(1,365,353)	8,553,657



## 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:

	<b>The Group 2021</b>	<b>The Group 2020</b>	<b>The Company 2021</b>	<b>The Company 2020</b>
	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
Sale of goods	3,535,325	6,387,691	-	-
Consulting services and development	2,791,770	3,461,328	-	-
Maintenance, support and servicing	3,327,688	3,143,947	-	-
Payment gateway services	5,813,566	5,950,974	-	-
Other revenue	279,162	273,428	9,685	5,304
Management fees	-	-	325,813	393,882
	<b>15,747,511</b>	<b>19,217,368</b>	<b>335,498</b>	<b>335,498</b>

As disclosed in note 5, the revenue of the Group is derived from Malta, EU and non-EU countries.

During 2021, included in payment gateway services is an amount of €2,327,564 derived from EU countries (excluding Malta) and represents 15% of the Group's total revenue (2020: €3,386,950; 18%).

The Group's revenue generated from a significant contract (non-EU) for the implementation of border security software solutions amounted to €1,178,108 and represents 7% of total revenue (2020: €4,119,615; 21%). Refer to further information provided in this note below on the ongoing services provided on the Mauritius contract.

The total Group revenue from non-EU countries amounted to approximately 18% of total Group revenue (2020: 27%). This is based on the contractual agreements with clients.

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:

	<b>The Company 2021</b>	<b>The Company 2020</b>
	<b>€</b>	<b>€</b>
Contract assets relating to rendering of services and development	457,912	1,523,001
Contract assets relating to commission income accrued on gateway	204,931	226,576
	<b>662,843</b>	<b>1,749,577</b>

During 2020, one of the Group's subsidiary had completed further project milestones in relation to a significant contract in Mauritius for the implementation of border security software solutions. This gave rise to significant contract assets amounting to €1,460,982, 84% of the total contract assets as at 2020, on work which was completed and still not invoiced by 31 December 2020 and subsequently invoiced during 2021.

No single contract asset at 31 December 2021 exceeded 10% of the total contract asset at that date.

The assessment of credit losses on balances of contract assets at 31 December 2021 and 2020 did not result in any material amount and considered by management to be insignificant.

**Unsatisfied long-term performance obligations**

The following aggregated amounts of transaction prices relate to the performance obligations from existing contracts that are unsatisfied or partially unsatisfied as at 31 December 2021:

	2022	2023	2024	Later
	€	€	€	€
Sale of goods	3,629,901	416,927	517,979	-
Consulting services and development	612,528	-	-	-
Maintenance and servicing	2,603,094	2,231,747	2,068,431	222,372
<b>Total revenue expected to be recognised</b>	<b>6,845,523</b>	<b>2,648,674</b>	<b>2,586,410</b>	<b>222,372</b>

All long-term performance obligations that were expected to materialise in 2021 were completed and invoiced in full during the year under review. As at 31 December 2021, the movement in each respective year, mainly pertains to two new major contracts awarded to one of the Group's subsidiaries in quarter four of 2021 which are expected to be completed over the next five years.

The following aggregated amounts of transaction prices relate to the performance obligations from existing contracts that are unsatisfied or partially unsatisfied as at 31 December 2020:

	2022	2023	2024	Later
	€	€	€	€
Sale of goods	427,057	168,057	-	-
Consulting services and development	1,298,773	-	-	-
Maintenance and servicing	1,759,445	1,423,036	1,189,175	29,384
<b>Total revenue expected to be recognised</b>	<b>3,485,275</b>	<b>1,591,093</b>	<b>1,189,175</b>	<b>29,384</b>

**7. OTHER OPERATING INCOME**

	The Group 2021	The Group 2020	The Company 2021	The Company 2020
	€	€	€	€
Miscellaneous revenue	45,949	18,822	-	-
	<b>45,949</b>	<b>18,822</b>	<b>-</b>	<b>-</b>

**8. INVESTMENT INCOME**

	The Group 2021	The Group 2020	The Company 2021	The Company 2020
	€	€	€	€
Dividends from subsidiaries	-	-	4,442,525	3,277,208
	<b>-</b>	<b>-</b>	<b>4,442,525</b>	<b>3,277,208</b>

## 9. FINANCE INCOME

	The Group 2021 €	The Group 2020 €	The Company 2021 €	The Company 2020 €
Other income	430	1,104	-	-
Interest income from subsidiaries	-	-	26,778	53,298
	<b>430</b>	<b>1,104</b>	<b>26,778</b>	<b>53,298</b>

## 10. FINANCE COSTS

	The Group 2021 €	The Group 2020 €	The Company 2021 €	The Company 2020 €
Interest on bank overdraft	6,509	12,090	-	-
Interest on bank borrowings	-	4,206	-	-
Interest expense for leasing arrangements payable to third parties	10,248	12,214	-	-
Interest expense for leasing arrangements payable to related parties	40,963	62,013	11,852	-
Interest payable to subsidiaries	-	-	3,452	20,101
Interest payable to immediate parent	5,190	54,424	5,190	54,424
	<b>62,910</b>	<b>144,947</b>	<b>20,494</b>	<b>74,525</b>

## 11. PROFIT BEFORE TAX

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

	The Group 2021 €	The Group 2020 €	The Company 2021 €	The Company 2020 €
Depreciation and amortisation (notes 18 and 19)	431,369	447,606	8,149	5,541
Depreciation on right-of-use assets (note 20)	309,784	324,807	107,369	-
Auditor's remuneration	37,500	36,100	12,650	12,000
Reversal of loss allowance on impaired receivables written-off(note 41.2)	-	(18,661)	-	-
Reversal of provision no longer required (note 41.2)	(24,792)	(97,209)	-	-
Provision for inventories (note 26)	109,276	149,768	-	-
Inventories written-off (note 26)	12,024	4,228	-	-
Net exchange differences	(39,492)	93,027	-	-

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 €12,650 (2020: €12,000) and the remuneration payable in respect of the audits of the undertakings included in the consolidated financial statements amounted to €24,850 (2020: €24,100). Other fees payable to the parent Company's auditors for non-audit services, namely the review of interim financial information, tax services and other fees, amounted to €22,333 (2020: €31,650).

**12. KEY MANAGEMENT PERSONNEL COMPENSATION**

	The Group 2021 €	The Group 2020 €	The Company 2021 €	The Company 2020 €
<b>Directors' compensation</b>				
<i>Short term benefits:</i>				
Fees				
Directors' fees	140,121	140,121	354,708	140,121
<b>Other key management personnel</b>				
<i>Short term benefits:</i>				
Salaries and social security contributions	442,500	278,000	442,500	278,000
<b>Total key management personnel compensation</b>				
<i>Short term benefits:</i>	<b>582,621</b>	<b>632,708</b>	<b>716,230</b>	<b>632,708</b>

**13. EMPLOYEE REMUNERATION**

Expenses recognised for staff costs are analysed below:

	The Group 2021 €	The Group 2020 €	The Company 2021 €	The Company 2020 €
Wages and salaries	4,825,883	4,694,470	760,259	581,404
Social security costs	277,376	266,379	22,294	18,369
Maternity fund contributions	8,458	8,281	789	670
	<b>5,111,717</b>	<b>4,969,130</b>	<b>783,342</b>	<b>600,443</b>
Covid-19 wage supplement	(45,895)	(209,172)	-	-
Capitalised wages	(276,715)	(272,604)	-	-
	<b>4,789,107</b>	<b>4,487,354</b>	<b>783,342</b>	<b>600,443</b>

During 2021, the Group received a total of €45,895 (2020: €209,172) as Covid-19 wage supplement. An amount of €14,237 (2020: €37,126) was deducted in administrative expenses and €31,658 (2020: €172,046) was deducted in cost of sales.

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

	The Group 2021 €	The Group 2020 €	The Company 2021 €	The Company 2020 €
Operations	88	94	-	-
Administration	37	28	13	12
	<b>125</b>	<b>122</b>	<b>13</b>	<b>12</b>



#### 14. TAX EXPENSE

The major components of tax expense and the reconciliation of the expected tax expense based on the effective tax rate of the Group and the Company at 35% (2020: 35%) and the reported tax expense in the statement of profit or loss and other comprehensive income are as follows:

	The Group 2021 €	The Group 2020 €	The Company 2021 €	The Company 2020 €
Profit before tax	4,002,726	4,499,389	3,501,749	2,758,176
Tax rate	35%	35%	35%	35%
<b>Expected tax expense</b>	<b>(1,400,954)</b>	<b>(1,574,786)</b>	<b>(1,225,612)</b>	<b>(965,362)</b>
Adjustment for local tax credits	-	10,307	-	-
Untaxed dividend	11,878	19,445	11,878	-
Income not chargeable to tax	-	-	-	19,445
Adjustment for foreign income charged different rates	89,650	100,275	-	-
Adjustment for disallowable expenses	(7,211)	(13,971)	(1,715)	(2,452)
Other permanent differences	(2,570)	-	-	-
<b>Actual tax expense, net</b>	<b>(1,309,207)</b>	<b>(1,458,730)</b>	<b>(1,215,449)</b>	<b>(948,369)</b>

	The Group 2021 €	The Group 2020 €	The Company 2021 €	The Company 2020 €
<b>Comprising:</b>				
Current tax expense	(1,263,628)	(1,439,186)	(1,219,861)	(947,023)
Foreign tax expense	(81,951)	(88,806)	-	-
Deferred tax credit / (expense)	36,372	69,262	4,412	(1,346)
	<b>(1,309,207)</b>	<b>(1,458,730)</b>	<b>(1,215,449)</b>	<b>(948,369)</b>

Refer to note 36 for information on the deferred tax movements of the Group and the Company.

#### 15. DIVIDENDS

A net final dividend and two net interim dividends totalling €1,366,846 €0.06 per share (2020: €1,321,440, €0.058 per share) were paid by the Company during the year.

On 25 March 2021, the Company declared a final dividend of €455,613 - €0.020 per share, for 2020. This was paid on 9 April 2021.

During the current year, the Company paid two net interim dividends amounting to €911,275 - €0.040 per share. On 8 April 2022, the directors propose a final net dividend of €455,613, equivalent to €0.020 per share, resulting in an aggregate net dividend for the financial year ended 31 December 2021 of €1,366,888, equivalent to €0.060 per share (2020 - €1,366,846 - €0.060 per share).

#### 16. EARNINGS PER SHARE

The earnings per share have been calculated using the profit after tax attributable to shareholders as the numerator. No adjustments to profit were necessary during the current and preceding accounting periods.

In addition, there are no other instruments which could give rise to potential ordinary shares and to a dilutive effect and therefore, only the basic earnings per share has been presented.

The weighted average number of shares for the period has been computed as the total number of shares at the end of the current year.

	The Group 2021	The Group 2020
Post-tax profit attributable to ordinary shareholders	2,693,519	3,040,659
Weighted average number of shares in issue	22,780,636	22,780,636
<b>Earnings per share (in cents)</b>	<b>11.82c</b>	<b>13.35c</b>

## 17. GOODWILL

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

	The Group €
At 1 January 2020	7,493,487
<b>At 31 December 2020</b>	<b>7,493,487</b>
At 1 January 2021	7,493,487
<b>At 31 December 2021</b>	<b>7,493,487</b>
<b>Carrying amount</b>	
<b>At 31 December 2020</b>	<b>7,493,487</b>
<b>At 31 December 2021</b>	<b>7,493,487</b>

Amounts recognised as goodwill were based on predecessor accounting principles.

## 18. INTANGIBLE ASSETS

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

	Intellectual property €	Internal- generated software €	Licenses €	Total €
<b>The Group</b>				
<b>Gross carrying amount</b>				
At 1 January 2020	1,000,000	856,931	316,714	2,173,645
Additions	-	272,604	134,662	407,266
<b>At 31 December 2021</b>	<b>7,493,487</b>	<b>7,493,487</b>	<b>7,493,487</b>	<b>7,493,487</b>
At 1 January 2021	1,000,000	1,129,535	451,376	2,580,911
Additions	-	276,716	6,300	283,016
<b>At 31 December 2021</b>	<b>1,000,000</b>	<b>1,406,251</b>	<b>457,676</b>	<b>2,863,927</b>
<b>Amortisation</b>				
At 1 January 2020	574,220	294,135	89,367	957,722
Provision for the year	103,803	171,235	74,171	349,209
<b>At 31 December 2020</b>	<b>678,023</b>	<b>465,370</b>	<b>163,538</b>	<b>1,306,931</b>
At 1 January 2021	678,023	465,370	163,538	1,306,931
Provision for the year	89,861	200,024	90,216	380,101
<b>At 31 December 2021</b>	<b>767,884</b>	<b>665,394</b>	<b>253,754</b>	<b>1,687,032</b>
<b>Carrying amount</b>				
<b>At 31 December 2020</b>	<b>321,977</b>	<b>664,165</b>	<b>287,838</b>	<b>1,273,980</b>
<b>At 31 December 2021</b>	<b>232,116</b>	<b>740,857</b>	<b>203,922</b>	<b>1,176,895</b>

## Intangible assets

	Software	Licenses	Total €
<b>The Company</b>			
<b>Gross carrying amount</b>			
At 1 January 2020	29,385	-	29,385
Additions	-	12,165	12,165
<b>At 31 December 2020</b>	<b>29,385</b>	<b>12,165</b>	<b>41,550</b>
At 1 January 2021	29,385	12,165	41,550
Additions	-	-	-
<b>At 31 December 2021</b>	<b>29,385</b>	<b>12,165</b>	<b>41,550</b>
<b>Amortisation</b>			
At 1 January 2020	29,385	-	29,385
Provision for the year	-	4,055	4,055
<b>At 31 December 2020</b>	<b>29,385</b>	<b>4,055</b>	<b>33,440</b>
At 1 January 2021	29,385	4,055	33,440
Provision for the year	-	4,055	4,055
<b>At 31 December 2021</b>	<b>29,385</b>	<b>8,110</b>	<b>37,495</b>
<b>Carrying amount</b>			
<b>At 31 December 2020</b>	<b>-</b>	<b>8,110</b>	<b>8,110</b>
<b>At 31 December 2021</b>	<b>-</b>	<b>4,055</b>	<b>4,055</b>



## 19. PLANT AND EQUIPMENT

	Office and computer equipment	Furniture, fixtures and fittings	Total €
<b>The Group</b>			
<b>Gross carrying amount</b>			
At 1 January 2020	853,959	582,814	1,436,773
Additions	40,042	2,075	42,117
<b>At 31 December 2020</b>	<b>894,001</b>	<b>584,889</b>	<b>1,478,890</b>
At 1 January 2021	894,001	584,889	1,478,890
Additions	828	751	1,579
<b>At 31 December 2021</b>	<b>894,829</b>	<b>585,640</b>	<b>1,480,469</b>
<b>Depreciation</b>			
At 1 January 2020	786,449	402,100	1,188,549
Provision for the year	52,617	45,780	98,397
<b>At 31 December 2020</b>	<b>839,066</b>	<b>447,880</b>	<b>1,286,946</b>
At 1 January 2021	839,066	447,880	1,286,946
Provision for the year	12,794	38,474	51,268
<b>At 31 December 2021</b>	<b>851,860</b>	<b>486,354</b>	<b>1,338,214</b>
<b>Carrying amount</b>			
<b>At 31 December 2020</b>	<b>54,935</b>	<b>137,009</b>	<b>191,944</b>
<b>At 31 December 2021</b>	<b>42,969</b>	<b>99,286</b>	<b>142,255</b>

**Plant and equipment**

The following are the plant and equipment of the Company:

	Total €
<b>The Company</b>	
<b>Gross carrying amount</b>	
At 1 January 2020	11,470
Additions	3,928
<b>At 31 December 2020</b>	<b>15,398</b>
At 1 January 2021	15,398
Additions	5,008
<b>At 31 December 2021</b>	<b>20,406</b>
<b>Amortisation</b>	
At 1 January 2020	11,294
Provision for the year	1,486
<b>At 31 December 2020</b>	<b>12,780</b>
At 1 January 2021	12,780
Provision for the year	4,094
<b>At 31 December 2021</b>	<b>16,874</b>
<b>Carrying amount</b>	
<b>At 31 December 2020</b>	<b>2,618</b>
<b>At 31 December 2021</b>	<b>3,532</b>

The depreciation charge was included in administrative expenses.

## 20. RIGHT-OF-USE ASSETS

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

	Buildings	Motor vehicles	Total €
<b>The Group</b>			
<b>Gross carrying amount</b>			
At 1 January 2020	1,870,349	423,114	2,293,463
Additions	-	23,691	23,691
<b>At 31 December 2020</b>	<b>1,870,349</b>	<b>446,805</b>	<b>2,317,154</b>
As at 1 January 2021	1,870,349	446,805	2,317,154
Additions	644,214	89,470	733,684
Termination of lease	(1,870,349)	-	(1,870,349)
<b>As at 31 December 2021</b>	<b>644,214</b>	<b>536,275</b>	<b>1,180,489</b>
<b>Depreciation</b>			
At 1 January 2020	224,738	86,106	310,844
Provision for the year	224,813	99,994	324,807
<b>At 31 December 2020</b>	<b>449,551</b>	<b>186,100</b>	<b>635,651</b>
As at 1 January 2021	449,551	186,100	635,651
Provision for the year	211,714	98,070	309,784
Termination of lease	(553,896)	-	(553,896)
<b>At 31 December 2021</b>	<b>107,369</b>	<b>284,170</b>	<b>391,539</b>
<b>Carrying amount</b>			
<b>At 31 December 2020</b>	<b>1,420,798</b>	<b>260,705</b>	<b>1,681,503</b>
<b>At 31 December 2021</b>	<b>536,845</b>	<b>252,105</b>	<b>788,950</b>

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

	Buildings €
<b>The Company</b>	
<b>Gross carrying amount</b>	
Additions	644,214
<b>As at 31 December 2021</b>	<b>644,214</b>
<b>Depreciation</b>	
Provision for the year	107,369
<b>At 31 December 2021</b>	<b>107,369</b>
<b>Carrying amount</b>	
<b>At 31 December 2021</b>	<b>536,845</b>

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

The Group and the Company have elected to disclose right-of-use assets separately in these financial statements. The information pertaining to the gross carrying amount, depreciation recognised during the year and other movements in right-of-use assets is included in the above tables. Information pertaining to lease liabilities and their corresponding maturities are disclosed separately in note 21. Information about the accounting policy for the measurement and recognition of leases are disclosed in note 4.20.

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

At 31 December 2021, the Group's leases comprise of its office space and car park lease and its motor vehicles. During the year, the Group's subsidiaries terminated all of their the leases for office space, warehouse and car park with a related party undertaking forming part of the Hili Ventures Limited group. Upon termination of such leases, Harvest Technology p.l.c. (the parent), entered into new leases of the same properties previously held by the respective subsidiaries of the Harvest Group for shorter periods.

## 21. LEASES

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

	2021	2020
	€	€
<b>The Group</b>		
<b>Current:</b>		
Lease liabilities	291,797	267,613
<b>Non-current:</b>		
Lease liabilities	514,523	1,473,305
	<b>806,320</b>	<b>1,740,918</b>

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

	2021	2020
	€	€
<b>The Company</b>		
<b>Current:</b>		
Lease liabilities	208,138	-
<b>Non-current:</b>		
Lease liabilities	337,218	-
	<b>545,356</b>	<b>-</b>

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



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

The range of the remaining lease term of the Group's buildings is 2 years, whilst the range of the remaining lease term of the motor vehicles is 1- 5 years.

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 December 2021 were as follows:

#### The Group

	Minimum lease payments			
	Not later than one Year	Later than one year but not later than five years	Later than five years	Total
	€	€	€	€
<b>31 December 2021</b>				
Lease payments	317,278	529,581	6,941	853,800
Finance charges	(25,501)	(21,923)	(56)	(47,480)
<b>Net present values</b>	<b>291,777</b>	<b>507,658</b>	<b>6,885</b>	<b>806,320</b>

Future minimum lease payments at 31 December 2020 were as follows:

#### The Group

	Minimum lease payments			
	Not later than one Year	Later than one year but not later than five years	Later than five years	Total
	€	€	€	€
<b>31 December 2021</b>				
Lease payments	330,785	1,024,162	649,808	2,004,755
Finance charges	(63,172)	(159,439)	(41,226)	(263,837)
<b>Net present values</b>	<b>267,613</b>	<b>864,723</b>	<b>608,582</b>	<b>1,740,918</b>

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 December 2021 were as follows:

#### The Company

	Minimum lease payments			
	Not later than one Year	Later than one year but not later than five years	Later than five years	Total
	€	€	€	€
<b>31 December 2021</b>				
Lease payments	225,848	347,852	-	573,700
Finance charges	(17,710)	(10,634)	-	(28,344)
<b>Net present values</b>	<b>208,138</b>	<b>337,218</b>	<b>-</b>	<b>545,356</b>

## 22. INVESTMENT IN SUBSIDIARIES

### 22.1 The Company

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

	2021 €	2020 €
At 1 January and 31 December	11,119,723	11,119,723

Harvest Technology p.l.c. has investments in the following subsidiaries:

Name of subsidiary	Place of incorporation	Proportion ownership interest		Holding	Portion voting power held		Principal activity
		2021 %	2020 %		2021 %	2020 %	
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	The operation of a payment gateway
Ipsyon Ltd	Malta	99.99	99.99	Direct	100	100	Holding of intellectual property

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	
		2021 %	2020 %	2021 %	2020 %
PTL Limited	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta	1,714,034	1,307,524	706,510	641,466
Apco Limited	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta	412,006	226,017	185,989	102,888
Apco Systems Limited	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta	1,794,449	1,816,475	2,177,974	1,873,190
Ipsyon Ltd	Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000 Malta	180,768	371,500	209,268	735,940

## 23. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

### 23.1 Investment in joint ventures

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

Name of company	Proportion of ownership interest		Capital and reserves at 31 December		Profit/(loss) for the year ended 31 December	
	2021	2020	2021	2020	2021	2020
	%	%	€	€	€	€
Hili Salomone Company Limited (dissolved)	-	50	-	(3,200)	-	-

The Company was struck off on 10 December 2021. The registered office of Hili Salomone Company Limited was Nineteen Twenty-Three, Valletta Road, Marsa, Malta.

## 24. OTHER INVESTMENT

	The Group 2021 €	The Group 2010 €	The Company 2021 €	The Company 2020 €
As at 1 January	50,000	50,000	50,000	50,000
Additions	99,977	-	99,977	-
As at 31 December	<b>149,977</b>	<b>50,000</b>	<b>149,977</b>	<b>50,000</b>

## 25. LOANS AND RECEIVABLES

	The Group 2021 €	The Group 2020 €	The Company 2021 €	The Company 2020 €
Loans receivable from subsidiaries	-	-	200,000	793,000
	-	-	<b>200,000</b>	<b>793,000</b>
<b>Comprising:</b>				
<b>Non-current</b>				
Loans receivable from subsidiaries	-	-	200,000	350,000
	-	-	<b>200,000</b>	<b>350,000</b>
<b>Comprising:</b>				
<b>Current</b>				
Loans receivable from subsidiaries	-	-	-	443,000
	-	-	-	<b>443,000</b>

**26. INVENTORIES**

	<b>The Group 2021</b>	<b>The Group 2020</b>	<b>The Company 2021</b>	<b>The Company 2020</b>
	€	€	€	€
Spare parts, computers and other equipment	1,790,216	1,374,644	-	-
Provision on spare parts, computer and other equipment	(485,362)	(376,086)	-	-
Stock in transit	-	203,463	-	-
Contract in progress	852,112	821,626	-	-
	<b>2,156,966</b>	<b>2,023,647</b>	<b>-</b>	<b>-</b>

The amount of inventories recognised as an expense during the year amounted to €2,817,801 (2020: €5,395,174).

Write-off of inventories recognised in the statement of profit or loss and other comprehensive income during the year amounted to €12,024 (2020: €4,228) and are included with cost of sales.

The increase in the provision for losses on inventories of spare parts and other equipment for the year amounted to €109,276 (2020: increase of €149,768).

**27. OTHER ASSETS**

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

	<b>The Group 2021</b>	<b>The Group 2020</b>	<b>The Company 2021</b>	<b>The Company 2020</b>
	€	€	€	€
Prepayments	48,480	113,350	10,870	9,204
	<b>48,480</b>	<b>113,350</b>	<b>10,870</b>	<b>9,204</b>

**28. TRADE AND OTHER RECEIVABLES**

Trade and other receivables consist of the following:

	<b>The Group 2021</b>	<b>The Group 2020</b>	<b>The Company 2021</b>	<b>The Company 2020</b>
	€	€	€	€
Trade receivables – gross	5,909,524	2,382,975	-	-
Allowance for expected credit losses	(128,496)	(153,288)	-	-
Trade receivables – net	5,781,028	2,229,687	-	-
Amounts owed by parent Company	53,764	16,025	-	-
Amounts owed by Group companies	-	-	52,276	-
Advance payments	6,623	6,623	-	-
Other receivables	80,693	43,172	-	-
Amounts due from associates	-	5,000	-	5,000
Amounts owed by other related parties	21,027	25,602	-	-
<b>Financial assets</b>	<b>5,943,135</b>	<b>2,326,109</b>	<b>52,276</b>	<b>5,000</b>
Other receivables	29,905	371,218	2,079	-
<b>Trade and other receivables – current</b>	<b>5,973,040</b>	<b>2,697,327</b>	<b>54,355</b>	<b>5,000</b>



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

No interest is charged on trade and other receivables.

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

Note 41.2 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses.

## 29. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following component:

	The Group 2021 €	The Group 2020 €	The Company 2021 €	The Company 2020 €
Cash and bank balances	2,999,405	2,554,041	1,071,116	226,415
<b>Cash and cash equivalents in the statements of financial position</b>	<b>2,999,405</b>	<b>2,554,041</b>	<b>1,071,116</b>	<b>226,415</b>
Bank overdrafts (note 32)	-	(173,279)	-	-
<b>Cash and cash equivalents in the statements of cash flows</b>	<b>2,999,405</b>	<b>2,380,762</b>	<b>1,071,116</b>	<b>226,415</b>

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.

## 30. SHARE CAPITAL

The share capital of Harvest Technology p.l.c. consists of ordinary shares with a par value of €0.50. All shares are equally eligible to receive dividends and repayment of capital and represent one vote at the shareholders' meeting of the Company.

	2021 €	2020 €
<b>Shares issued and fully paid at 31 December</b>		
22,780,636 ordinary shares of €0.50 each	11,390,318	11,390,318
<b>Shares authorised at 31 December</b>		
70,000,000 ordinary shares of €0.50 each	35,000,000	35,000,000

## 31. OTHER EQUITY

	The Group 2021 €	The Group 2020 €
Other equity	2,821,365	2,821,365

The other equity pertains to predecessor accounting resulting from acquisition made in previous years of €3,551,791 reduced by accumulated losses of €1,751,051.

**32. BANK BORROWINGS**

	The Group 2021	The Group 2020	The Company 2021	The Company 2020
	€	€	€	€
Bank overdrafts	-	173,279	-	-
Bank loans	-	292,197	-	-
	-	<b>465,476</b>	-	-
<b>Current liabilities</b>				
Bank overdrafts	-	173,279	-	-
Bank loans	-	292,197	-	-
	-	<b>465,476</b>	-	-

At the end of the previous period, one of the subsidiaries had a facility of USD 1,000,000. The Group had utilised €739,456. At 31 December 2020, the outstanding loan from this facility amounted to €292,197 as shown above. The loan bore interest of 2.5% per annum over 3-month LIBOR and was secured by a first general hypothec over the subsidiary's assets and a guarantee by the parent Company. The loan was fully repaid by the end of January 2021.

The Group has three overdraft facilities in two of its subsidiaries amounting to €1,070,000 secured by general hypotechs over present and future assets of the Group and bear interest between 3.5% and 5.5%.

Bank overdrafts and loans are repayable as follows:

	The Group 2021	The Group 2020	The Company 2021	The Company 2020
	€	€	€	€
On demand or within one year	-	<b>465,476</b>	-	-

**33. TRADE AND OTHER PAYABLES**

	The Group 2021	The Group 2020	The Company 2021	The Company 2020
	€	€	€	€
Trade payables	1,165,210	924,186	-	1,770
Amounts payable to ultimate parent	1,276	4,833	-	4,833
Amounts payable to related parties		963	-	-
Other payables	28,530	87,647	-	-
Accrued expenses	1,233,674	1,411,391	225,619	119,788
<b>Financial liabilities</b>	<b>2,428,690</b>	<b>2,429,020</b>	<b>225,619</b>	<b>126,391</b>
Other creditors	949,875	614,425	-	21,041
<b>Trade and other payables – current</b>	<b>3,378,565</b>	<b>3,043,445</b>	<b>225,619</b>	<b>147,432</b>

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.

### 34. CONTRACT LIABILITIES

	The Group 2021 €	The Group 2020 €
Deferred service income on rendering of services and development	314,046	83,641
Deferred service income on maintenance, support and servicing	2,154,388	1,071,381
Deferred service income on other gateway income and access fees	95,356	88,518
Deferred service income on licences	80,428	71,706
Deferred income on sale of information technology solutions	1,466,498	-
	<b>4,110,716</b>	<b>1,315,246</b>

Deferred service income represents customer payments received or due in advance of performance (contract liabilities) that are expected to be recognised as revenue in the future. As described in note 4.11, maintenance, servicing and support contracts are entered into for periods between 1 and 5 years. On the other hand, consultancy and development of IT systems are usually completed within 12 months. Nevertheless, the Group may occasionally have projects for consultancy and development of IT systems that span over more than 12 months.

As explained in note 6, two new major contracts were awarded to one of the Group's subsidiaries in quarter four of 2021 which are expected to be completed over the next five years. The movement in Contract liabilities illustrated above, substantially pertains to invoices raised before the year-end for works to be carried out in the future, in relation to these contracts.

### 35. OTHER FINANCIAL LIABILITIES

	The Group 2021 €	The Group 2020 €	The Company 2021 €	The Company 2020 €
Amounts owed to parent Company	-	500,000	-	500,000
	-	<b>500,000</b>	-	<b>500,000</b>
<b>Comprising:</b>				
<b>Current liabilities</b>				
Amounts owed to parent Company	-	500,000	-	500,000
	-	<b>500,000</b>	-	<b>500,000</b>

The terms and conditions of amounts owed to the parent and other related parties are disclosed in note 39.

**36. DEFERRED TAX ASSETS**

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

	1 Jan 2021 €	Recognised in profit or loss €	31 Dec 2021 €
<b>The Group</b>			
<b>Deferred tax assets arising on:</b>			
Plant and equipment	(6,199)	(1,247)	(7,446)
Intangible assets	(4,078)	4,078	-
Leases	20,775	(14,684)	6,091
Unabsorbed capital losses	92,715	-	92,715
Unabsorbed capital allowances	11,677	839	12,516
Provisions	280,652	25,521	306,173
Difference on exchange	6	(5)	1
<b>Total</b>	<b>395,548</b>	<b>14,502</b>	<b>410,050</b>
<b>Deferred tax liabilities arising on:</b>			
Intangible assets	(343,489)	21,870	(321,619)
Plant and equipment	(6,139)	-	(6,139)
<b>Total</b>	<b>(349,628)</b>	<b>21,870</b>	<b>(327,758)</b>

Deferred taxes for the comparative period 2020 can be summarised as follows:

	1 Jan 2021 €	Recognised in profit or loss €	31 Dec 2021 €
<b>The Group</b>			
<b>Deferred tax assets arising on:</b>			
Plant and equipment	22,542	(28,741)	(6,199)
Intangible assets	-	(4,078)	(4,078)
Leases	8,371	12,404	20,775
Unabsorbed capital losses	92,715	-	92,715
Unabsorbed capital allowances	9,432	2,245	11,677
Provisions	182,527	98,125	280,652
Difference on exchange	(5)	11	6
<b>Total</b>	<b>315,582</b>	<b>79,966</b>	<b>395,548</b>
<b>Deferred tax liabilities arising on:</b>			
Intangible assets	(273,072)	(70,417)	(343,489)
Plant and equipment	(65,852)	59,713	(6,139)
<b>Total</b>	<b>(338,924)</b>	<b>(10,704)</b>	<b>(349,628)</b>



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

	1 Jan 2021	Recognised in profit or loss	31 Dec 2021
	€	€	€
<b>The Company</b>			
<b>Deferred tax assets arising on:</b>			
Plant and equipment	831	594	1,425
Leases	-	2,979	2,979
Unabsorbed capital losses	92,715	-	92,715
Unabsorbed capital allowances	11,677	839	12,516
<b>Total</b>	<b>105,223</b>	<b>4,412</b>	<b>109,635</b>

Deferred taxes for the comparative period 2020 can be summarised as follows:

	1 Jan 2021	Recognised in profit or loss	31 Dec 2021
	€	€	€
<b>Deferred tax assets arising on:</b>			
Plant and equipment	2,556	(1,725)	831
Unabsorbed capital losses	92,715	-	92,715
Unabsorbed tax losses and capital allowances	9,432	2,245	11,677
Provisions	1,866	(1,866)	-
<b>Total</b>	<b>106,569</b>	<b>(1,346)</b>	<b>105,223</b>

See note 14 for information on the Group's and Company's tax expense.

**37. 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 2021 €	The Group 2020 €	The Company 2021 €	The Company 2020 €
<b>Adjustments:</b>				
Depreciation and amortisation	431,369	447,606	8,149	5,541
Depreciation on right-of-use assets	309,784	324,807	107,369	-
Gain on termination of lease	(57,700)	-	-	-
Dividends receivable	-	-	(4,442,525)	(3,277,208)
Movement in provision for doubtful debts	(24,792)	(115,870)	-	-
Bad debts written off	-	18,661	-	-
Unrealised exchange movements	(39,492)	(93,027)	-	-
Movement in provision for inventories	109,276	149,768	-	-
Inventories written off	12,024	4,228	-	-
Interest expense on leasing arrangements	51,211	74,227	11,852	-
Interest payable	11,699	70,720	8,642	74,525
Interest receivable	(430)	(1,104)	(26,778)	(53,298)
	<b>802,949</b>	<b>880,016</b>	<b>(4,333,291)</b>	<b>(3,250,440)</b>
<b>Working capital:</b>				
Change in inventories	(254,619)	241,807	-	-
Change in contract assets	1,086,734	(1,533,579)	-	-
Change in trade and other receivables	(3,188,632)	1,777,076	(51,021)	40,567
Change in trade and other payables	374,612	(75,963)	78,187	71,522
Change in contract liabilities	2,795,470	(929,491)	-	-
	<b>813,565</b>	<b>(520,150)</b>	<b>27,166</b>	<b>112,089</b>

**38. 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.

	Notes	Balance at 1 January 2021 €	Cash flows €	Other non-cash changes €	Balance at 31 December 2021 €
<b>The Group</b>					
Leases	21	1,740,918	(345,340)	(589,258)	806,320
Bank loans	32	292,197	(292,197)	-	-
Amounts owed to parent Company	35	500,000	(500,000)	-	-
		<b>2,533,115</b>	<b>(1,137,537)</b>	<b>(589,258)</b>	<b>806,320</b>

During 2021, the Group recognised additional lease liabilities amounting to €733,684. Total cash payments made on leases during the year amounted to €345,340 (inclusive of interest). The interest expense during the year amounted to €51,211. In addition, the Group had non-cash movements amounting to €589,258, comprising an amount of €1,374,153, relating to the termination of lease of Group's premises as disclosed in note 20. The interest, together with additions and termination of leases recognised during the year represent the non-cash movements of €589,258 presented above for leases.

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

	Notes	Balance at 1 January 2021 €	Cash flows €	Other non-cash changes €	Balance at 31 December 2021 €
<b>The Group</b>					
Leases	21	2,006,539	(363,539)	97,918	1,740,918
Bank loans	32	200,000	92,197	-	292,197
Amounts owed to parent Company	35	1,721,321	(1,221,321)	-	500,000
		<b>3,927,860</b>	<b>(1,492,663)</b>	<b>97,918</b>	<b>2,533,115</b>

During 2020, the Group recognised additional lease liabilities amounting to €23,691. Total cash payments made on leases during the year amounted to €363,539 (inclusive of interest). The interest expense during the year amounted to €74,227. The interest, together with the additions to leases recognised during the year mainly represent the non-cash movements of €97,918 presented above for leases.

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

	Notes	Balance at 1 January 2021 €	Cash flows €	Other non-cash changes €	Balance at 31 December 2021 €
<b>The Company</b>					
Leases	21	-	(110,710)	656,066	545,356
Amounts owed to parent Company	35	500,000	(500,000)	-	-
		<b>500,000</b>	<b>(610,710)</b>	<b>656,066</b>	<b>545,356</b>

During 2021, the Company recognised lease liabilities amounting to €644,214. Cash payments made on leases amounted to €110,710 (inclusive of interest). The interest expense during the year amounted to €11,852. The interest together with the additions of right-of-use assets and corresponding lease liabilities of €644,214 as aforementioned, represent the non-cash movement of €656,066 presented above for leases.

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

	Notes	Balance at 1 January 2021 €	Cash flows €	Other non-cash changes €	Balance at 31 December 2021 €
<b>The Company</b>					
Amounts owed to parent Company	35	1,721,321	(1,221,321)	-	500,000
		<b>1,721,321</b>	<b>(1,221,321)</b>	<b>-</b>	<b>500,000</b>

### 39. RELATED PARTY TRANSACTIONS

Harvest Technology p.l.c. is the parent Company of the subsidiary undertakings highlighted in note 22. The parent Company of Harvest Technology p.l.c. 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, Valletta Road, Marsa, MRS 3000, Malta.

Both entities draw up consolidated financial statements with 1923 Investments p.l.c. incorporating the results of Harvest Technology p.l.c. 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	2021			2020		
	Related party activity	Total activity		Related party activity	Total activity	
	€	€	%	€	€	%
<b>Revenue:</b>						
Related party transactions with:						
Ultimate parent	90,942			38,340		
Parent company	6,528			135,778		
Other related parties	142,405			163,349		
	239,875	15,747,511	2	337,467	19,217,368	2
<b>Cost of sales:</b>						
Related party transactions with:						
Other related parties	-			(10,807)		
	-	(7,784,872)	-	(10,807)	(10,586,874)	-
<b>Administrative expenses:</b>						
Related party transactions with:						
Ultimate parent	(6,352)			(887)		
Parent company	-			(10,025)		
Other related parties	(249,383)			(269,892)		
	(255,735)	(4,001,082)	6	(280,804)	(4,006,084)	7
<b>Finance cost:</b>						
Related party transactions with:						
Parent company	(5,190)			(54,424)		
Other related parties	(40,963)			(62,013)		
	(46,153)	(62,910)	73	(116,437)	(144,947)	80



The Company	2021			2020		
	Related party activity	Total activity		Related party activity	Total activity	
	€	€	%	€	€	%
<b>Revenue:</b>						
Related party transactions with:						
Subsidiaries	335,498			399,186		
	335,498	335,498	100	399,186	399,186	100
<b>Administrative expenses:</b>						
Related party transactions with:						
Ultimate parent	(5,816)			(1,831)		
Parent Company				(5,211)		
Other related parties	(108,720)			(888)		
Subsidiaries	(57,390)			(44,676)		
	(171,926)	(1,282,558)	13	(52,606)	(896,991)	6
<b>Finance income:</b>						
Related party transactions with:						
Subsidiaries	26,778			53,298		
	26,778	26,778	100	53,298	53,298	100
<b>Finance cost:</b>						
Related party transactions with:						
Parent Company	(5,190)			(54,424)		
Other related parties	(11,852)			-		
Subsidiaries	(3,452)			(20,101)		
	(20,494)	(20,494)	100	(74,525)	(74,525)	100

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

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

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 25, 28, 33 and 35. 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 25 were unsecured and bore interest at 4.5%. The amounts due in note 28 are unsecured, interest free and repayable on demand.

The Group and the Company's other financial liabilities disclosed in note 35 were unsecured, and bore interest at 4.5%.

Contingent liabilities and guarantees are disclosed in note 40.

#### 40. CONTINGENT LIABILITIES

During the year, one of the Group's subsidiaries had issued special guarantees totalling €146,189 (2020: €1,394,000) in favour of third parties in relation to the major overseas technology implementation project carried out in collaboration with IBM in Mauritius.

The same subsidiary also had guarantees amounting to €1,216,289 (2020: €225,300) to third parties in Malta as collateral for liabilities.

#### 41. 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 41.4. 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.

##### 41.1 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 25. The Group has taken out interest bearing facilities as disclosed in notes 32 and 35. The interest rates thereon and the terms of such borrowings are disclosed accordingly. The Group has loans and receivables and cash at bank with interest rates as disclosed in note 25.

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.

## 41.2 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, loans and receivables, 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 2021	The Group 2020	The Company 2021	The Company 2020
<b>Classes of financial assets - carrying amounts:</b>					
Loans and receivables	25	-	-	200,000	793,000
Trade and other receivables	28	5,943,135	2,326,109	52,276	5,000
Cash and cash equivalents	29	2,999,405	2,554,041	1,071,116	226,415
		<b>8,942,540</b>	<b>4,880,150</b>	<b>1,323,392</b>	<b>1,024,415</b>

### *Credit risk management*

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. By 31 December 2021, the Group had received or settled all amounts due from related parties.

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 2021 and 2020 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 a significant amount of 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. At 31 December 2021, the Group also had a significant financial asset on its ongoing project in Mauritius as contract assets as disclosed in note 6.

The Expected Credit Loss (ECL) at 31 December 2021 was estimated based on a range of forecast economic scenarios as at that date.

### 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 32 and 40.

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 2021 and 31 December 2020 respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. The Group has identified gross domestic product (GDP) and unemployment rates of the countries in which the customers are domiciled to be the most relevant factors and accordingly adjusts historical loss rates for expected changes in these factors. However given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

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

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

On the above basis the expected credit loss for trade receivables as at 31 December 2021 and 31 December 2020 was determined as follows:

<b>31 December 2021</b>	<b>Current</b>	<b>More than 30 days</b>	<b>More than 60 days</b>	<b>More than 90 days</b>	<b>Total</b>
Expected credit loss rate (%)	0.23%	1.97%	4.91%	19.87%	
Gross carrying amount (€)	4,553,936	710,178	161,887	483,523	5,909,524
Lifetime expected credit loss	10,459	14,011	7,944	96,082	128,496
<b>31 December 2020</b>	<b>Current</b>	<b>More than 30 days</b>	<b>More than 60 days</b>	<b>More than 90 days</b>	<b>Total</b>
Expected credit loss rate (%)	0.63%	1.88%	4.80%	24.14%	
Gross carrying amount (€)	1,239,415	482,242	119,712	541,606	2,382,975
Lifetime expected credit loss	7,775	9,049	5,741	130,723	153,288



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

	The Group 2021 €	The Group 2020 €
Opening loss allowance as at 1 January	153,288	269,158
Reversal of provision no longer required	(24,792)	(97,209)
Reversal of loss allowance on impaired receivables written off	-	(18,661)
<b>Loss allowance as at 31 December</b>	<b>128,496</b>	<b>153,288</b>

### 41.3 Liquidity risk

The Group and Company's exposure to liquidity risk arises from its obligations to meet its financial liabilities, which comprise bank borrowings, trade and other payables and other financial liabilities (see notes 32, 33 and 35). 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 2021	On demand or within 1 year	1 - 2 years	2 - 5 years	More than 5 years	Total
<b>Non-derivative financial liabilities</b>					
Non-interest bearing	2,428,690	-	-	-	2,428,690
Fixed rate instruments	-	-	-	-	-
Variable-rate instruments	-	-	-	-	-
	<b>2,428,690</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,428,690</b>

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

<b>31 December 2018</b>	<b>On demand or within 1 year</b>	<b>1 - 2 years</b>	<b>2 - 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
<b>Non-derivative financial liabilities</b>					
Non-interest bearing	2,429,020	-	-	-	2,429,020
Fixed rate instruments	792,197	-	-	-	792,197
Variable-rate instruments	173,279	-	-	-	173,279
	<b>3,394,496</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,394,496</b>
<b>The Company</b>					
<b>31 December 2021</b>	<b>On demand or within 1 year</b>	<b>1 - 2 years</b>	<b>2 - 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
<b>Non-derivative financial liabilities</b>	225,619	-	-	-	225,619
Fixed rate instruments	-	-	-	-	-
	<b>225,619</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>225,619</b>
<b>31 December 2020</b>	<b>On demand or within 1 year</b>	<b>1 - 2 years</b>	<b>2 - 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
<b>Non-derivative financial liabilities</b>					
Non-interest bearing	126,391	-	-	-	126,391
Fixed rate instruments	500,000	-	-	-	500,000
	<b>626,391</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>626,391</b>

#### 41.4 Summary of financial assets and financial liabilities by category

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

	The Group 2021 €	The Group 2020 €	The Company 2021 €	The Company 2020 €
<b>Non-current assets</b>				
Loans and receivables	-	-	200,000	350,000
<b>Current assets</b>				
Loans and receivables	-	-	-	443,000
Trade and other receivables	5,943,135	2,326,109	52,276	5,000
Cash and cash equivalents	2,999,405	2,554,041	1,071,116	226,415
	<b>8,942,540</b>	<b>4,880,150</b>	<b>1,123,392</b>	<b>674,415</b>
<b>Current liabilities</b>				
Financial liabilities measured at amortised cost:				
Bank borrowings	-	465,476	-	-
Trade and other payables	2,428,690	2,429,020	225,619	126,391
Other financial liabilities	-	500,000	-	500,000
	<b>2,428,690</b>	<b>3,394,496</b>	<b>225,619</b>	<b>626,391</b>

#### 41.5 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 2021 and 2020, 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 2021	Level 1	Level 2	Level 3	Total	Carrying amount
	€	€	€	€	€
<b>Financial liabilities at amortised cost</b>					
Related party loans					
Bank overdraft and loans	-	-	-	-	-
	-	-	-	-	-
<b>Financial liabilities at amortised cost</b>					
Related party loans	-	500,000	-	500,000	500,000
Bank overdraft and loans	-	465,476	-	465,476	465,476
	-	<b>965,476</b>	-	<b>965,476</b>	<b>965,476</b>

**The Company**

31 December 2021	Level 1	Level 2	Level 3	Total	Carrying amount
	€	€	€	€	€
<b>Financial assets</b>					
<b>Loans and receivables</b>					
Receivables from related parties					
	-	<b>200,000</b>	-	<b>200,000</b>	<b>200,000</b>
<b>Financial liabilities at amortised cost</b>					
Related party loans	-	-	-	-	-
	-	-	-	-	-

31 December 2020	Level 1	Level 2	Level 3	Total	Carrying amount
	€	€	€	€	€
<b>Financial assets</b>					
<b>Loans and receivables</b>					
Receivables from related parties					
	-	<b>793,000</b>	-	<b>793,000</b>	<b>793,000</b>
<b>Financial liabilities at amortised cost</b>					
Related party loans	-	500,000	-	500,000	500,000
	-	<b>500,000</b>	-	<b>500,000</b>	<b>500,000</b>

**42 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 bank borrowings and other financial liabilities disclosed in notes 32 and 35, cash and cash equivalents as disclosed in note 29 and of items presented within equity in the statement of financial position.



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

#### **43 POST REPORTING DATE EVENTS**

With respect to the potential impact in relation to the consequences that may arise from the conflict in the Ukraine, the directors hereby acknowledge that the Group has no direct involvement with persons or entities subject to international sanctions imposed and as adopted by the Maltese Government. The directors abide to continue monitor the process of conducting further in-depth assessments in this regard in due course. There were no other adjusting or significant non-adjusting events that have occurred between the end of the reporting period and the date of authorisation by the board.

Towards the end of February 2022, the armed conflict between the Russian Federation and Ukraine set in motion a chain of diplomatic efforts and other major geopolitical events which led a number of western nations, including the EU institutions and the United States government, to impose a number of sanctions on the Russian Federation and Belarus. The sanctions currently in place include several restrictive measures of a direct financial nature that are having a significant direct impact on the broad economy of the affected nations, as well as resulting in a downgrading of their sovereign and private debt by international credit rating agencies.

The consequences of these restrictive measures are also expected to have a significant impact on the economies of the countries implementing such trade restrictions, with a spill-over on the world economy, as uncertainty and market volatility remain high across all industries with increasing tensions and rhetoric on both sides. The cost of doing business is expected to rise further, compounded by the remaining effects of the Covid-19 induced shocks on the global economy seen in the last couple of years, as the ongoing conflict in Ukraine and Covid-19 related measures continue to rock global supply chains. Both the International Monetary Fund and the World Bank have indicated that the resulting impact of the conflict on global growth and recovery from Covid-19 effects will be significant. As the price of oil and gas shift upwards due to the war, transport and other procurement costs required for business will also increase. Due to the nature and decisiveness of these restrictive measures, the economic impact globally is expected to be long-lasting, even in the eventuality that the conflict ceases in the immediate future. The dynamics of international trade between the EU, the USA and Asia are also significantly impacted, possibly in the long-term.

It is still too early to quantify the impact that the ongoing conflict in Ukraine will have on the Group's business and operations in the short and medium term. Management is taking all steps necessary to mitigate any expected decline in revenue and to implement any further course of action as deemed applicable in the circumstances. Management, together with the directors, continue to actively monitor all developments taking place internationally in order to take any action for unforeseen effects that such conflict might have on the economies and industries to which the company operates.

#### **44 IMMEDIATE PARENT COMPANY, ULTIMATE PARENT COMPANY AND CONTROLLING PARTY**

The immediate parent Company of Harvest Technology p.l.c. 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 p.l.c. is Hili Ventures Limited with the same registered address.

The directors consider the ultimate controlling party to be Mr. Carmelo (sive Melo) Hili, who, through his majority interest in Hili Ventures Limited, indirectly holds 62.98% (2020: 48.87%) of the voting rights in Harvest Technology p.l.c.



## INDEPENDENT AUDITOR'S REPORT

To the shareholders of Harvest Technology p.l.c.

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

We have audited the financial statements of Harvest Technology p.l.c. (the "Company") and of the Group of which it is the parent, which comprise the statements of financial position as at 31 December 2021, 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 2021, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Companies Act, Cap. 386 (the "Act").

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

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. In conducting our audit we have remained independent of the Company and the Group and have not provided any of the non-audit services prohibited by article 18A of the Accountancy Profession Act, Cap. 281. The non-audit services that we have provided to the Company and the Group during the year ended 31 December 2021 are disclosed in note 11 to the financial statements.

#### Key audit matters

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

### IMPAIRMENT TESTING OF GOODWILL IN THE CONSOLIDATED FINANCIAL STATEMENTS

#### Key audit matter

Goodwill with a carrying amount of €7.49 million as at 31 December 2021 is included in the Group's Statement of Financial Position as at that date.

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

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

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

We focussed on this area because of the significance of the amount of goodwill which is recognised at balance sheet date. Moreover, the directors' assessment process is complex and highly judgmental and is based on assumptions which are affected by expected future market or economic conditions.

*How the key audit matter was addressed in our audit*

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

We communicated with management and those charged with governance and noted that they were able to provide satisfactory responses to our questions. We also assessed the adequacy of the disclosures made in note 4.28 of the financial statements relating to goodwill including those regarding the key assumptions used in assessing its carrying amount. Those disclosures specifically explain that the directors have assessed the carrying amount of goodwill as at 31 December 2021 to be recoverable and that there is no impairment in the value of the goodwill.

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

*Key audit matter*

During the year ended 31 December 2021 management carried out an assessment to establish whether the carrying amount of investments in subsidiaries in the financial statements of the Company at 31 December 2021 should continue to be recognised, or if any impairment is required.

We focussed on this area because of the significance of the investments in subsidiaries and other investments which, at 31 December 2021, amounted €11.12 million. Moreover, the directors' assessment process is complex and highly judgmental and is based on assumptions, such as forecast growth rates, profit margins, weighted average cost of capital and effective tax rate, which are affected by expected future market or economic conditions.

*How the key audit matter was addressed in our audit*

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

We communicated with management and those charged with governance and noted that they were able to provide satisfactory responses to our questions. We also assessed the adequacy of the disclosures made in note 4.28 of the financial statements relating to investments including those regarding the key assumptions used in assessing its carrying amount. Those disclosures specifically explain that the directors have assessed the carrying amount of investments as at 31 December 2021 to be recoverable and that there is no impairment in the value of the investments.

**Other information**

The directors are responsible for the other information. The other information comprises (i) the Chairman's message, (ii) the Chief Executive Officer's review, (iii) the Directors' report and (iv) Corporate Governance – Statement of Compliance 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, and in the case of the Remuneration report included in the Directors' report, whether this has been prepared in accordance with Chapter 12 of the Capital Market Rules issued by the Malta Financial Services Authority (the "Capital Market Rules").

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, and
- The Remuneration report has been properly prepared in accordance with the requirements of the Capital Markets Rules.

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.

Those charged with governance 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.

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 the directors' 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, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's or the Group's ability to continue as a going concern. In particular, it is difficult to evaluate all the potential implications that the current conflict in Ukraine may have on the Group's business.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate evidence regarding the financial information of the entities or business activities within the Group to express 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.

**Reports on other legal and regulatory requirements**

Report on compliance with the requirements of the European Single Electronic Format Regulatory Technical Standard (the "ESEF RTS"), by reference to Capital Markets Rule 5.55.6

We have undertaken a reasonable assurance engagement in accordance with the requirements of Directive 6 issued by the Accountancy Board in terms of the Accountancy Profession Act (Cap. 281) – the Accountancy Profession (European Single Electronic Format) Assurance Directive (the "ESEF Directive 6") on the Report and Consolidated Financial Statements of Harvest Technology p.l.c. for the year ended 31 December 2021, entirely prepared in a single electronic reporting format.

**Responsibilities of the directors**

The directors are responsible for the preparation of the Report and Consolidated Financial Statements and the relevant mark-up requirements therein, by reference to Capital Markets Rule 5.56A, in accordance with the requirements of the ESEF RTS.

**Our responsibilities**

Our responsibility is to obtain reasonable assurance about whether the Report and Consolidated Financial Statements and the relevant electronic tagging therein, complies in all material respects with the ESEF RTS based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with the requirements of ESEF Directive 6.

**Our procedures included:**

- Obtaining an understanding of the entity's financial reporting process, including the preparation of the Report and Consolidated Financial Statements, in accordance with the requirements of the ESEF RTS.
- Obtaining the Report and Consolidated Financial Statements and performing validations to determine whether the Report and Consolidated Financial Statements have been prepared in accordance with the requirements of the technical specifications of the ESEF RTS.
- Examining the information in the Report and Consolidated Financial Statements to determine whether all the required taggings therein have been applied and whether, in all material respects, they are in accordance with the requirements of the ESEF RTS.
- We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion, the Report and Consolidated Financial Statements for the year ended 31 December 2021 has been prepared, in all material respects, in accordance with the requirements of the ESEF RTS.

***Report on the Statement of Compliance with the Principles of Good Corporate Governance***

The Capital Market Rules require the directors to prepare and include in their Annual Report a Statement of Compliance providing an explanation of the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance throughout the accounting period with those Principles.

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

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

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

In our opinion, the Corporate governance statement has been properly prepared in accordance with the requirements of the Capital Market Rules.



***Other matters on which we are required to report by exception***

We also have responsibilities

- under the Companies Act, Cap 386 to report to you if, in our opinion:
  - adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us
  - the financial statements are not in agreement with the accounting records and returns
  - we have not received all the information and explanations we require for our audit
  - certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.
- 
- in terms of Capital Market Rules to review the statement made by the Directors that the business is a going concern together with supporting assumptions or qualifications as necessary.

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

**Auditor tenure**

We were first appointed as auditors of the Company and the Group on 30 September 2016. Our appointment has been renewed annually by a shareholders' resolution representing a total period of uninterrupted engagement appointment of six years.

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

**GRANT THORNTON**

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

Mark Bugeja  
 Partner

08 April 2022



## NOTES

[illegible]





HARVEST.TECH



HARVEST

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