Company Registration No.: C 52833

# Klikk Finance p.l.c.

## Annual Report and Consolidated Financial Statements for the year ended 31 December 2019

**Contents** | **Page**

# Klikk Finance p.l.c.

## Directors' Report
### for the year ended 31 December 2019

The Directors present their report together with the audited financial statements of Klikk Finance p.l.c. (the Company) for the year ended 31 December 2019. The Company, its subsidiary Klikk Limited and the second-tier subsidiary Klikk Code Limited constitute the Group.

**Principal activities**

Klikk Finance p.l.c. was incorporated as a private limited liability company on 12 May 2011 as HMRD Limited and on 13 January 2016 was renamed BOE Finance Limited. Subsequently on 30 June 2017, the Company was converted to a public limited liability company and renamed Klikk Finance p.l.c. Whilst the principal activity of the Company relates to carrying on the business of a finance and holding company, the principal activity of the Group is to operate two computer retail outlets servicing both retail and corporate clients, with the outlets situated on the Birkirkara By-Pass and Tal-Barrani Road, Zejtun. Furthermore, the Group develops bespoke and B2B software solutions to corporate customers.

**Review of business**

During the year under review, the Group continued building on a diversification strategy by promoting and repositioning its brand name Klikk within the market. Consequently, the Company extended its operations through the introduction of a new business line by offering bespoke software solutions to corporate and B2B clients alike. Throughout the year, the Group ensured that all its retail outlets were adequately stocked, in addition to holding no obsolete products in its inventory catalogue. As a result, the Group registered an increase in revenue of over €1 million in FY2019 (or 19.4%%) from the previous year (2019: €6,419,562; 2018: €5,378,105), reaching its highest ever recorded value. There was also a corresponding increase in inventory from €1,031,723 as at 31 December 2018 to €1,229,408 as at 31 December 2019.

Despite the increases in revenue, the Group sacrificed its gross profit margins in order to achieve such growth. This was further impacted by the increase in Apple iPhone sales during the last quarter of 2020 following the release of iPhone 11, since such products offer some of the lowest margins amongst the Group's product and service offerings. As a result, gross profit margins decreased from 18.3% in FY2018 to 15.3% in FY2019, resulting in a gross profit of €986,972 for FY2019 (FY2018: €984,938).

Administrative costs consisted primarily of payroll costs, directors' fees, marketing and distribution fees, professional fees and other corporate and general overheads. The Group incurred higher staff costs as it continued building on the recruitment programme implemented during 2018, with the operational staff complement increasing from 35 during FY2018 to 44 during FY2019. Additionally, due to the recent introduction of IFRS 16, the rent cost was replaced by a provision for amortisation of the right of use and notional interest recognisable on the minimum lease payments. As a result, the Group registered a loss after tax of €127,148 during FY2019, compared to a loss of €66,650 in FY2018.

The Directors note that a material variance resulted when comparing the FY2019 Group's results to those set out in the Company Admission Document dated 3 July 2017. Although the Group achieved higher revenues (projected FY2019 revenue: €5.5 million), due to the lower gross profit margins the Group did not break even as envisaged in the Company Admission Document.

# Directors' Report
## for the year ended 31 December 2019

**Future developments**

The Group shall continue to monitor developments in sales, customer preferences and the market in general, introducing new product offerings with the aim of returning the Group to sustainable profitability. For this purpose, the Group shall continue expanding and diversifying its retail operations and actively pursuing all available options.

**Events after the reporting period**

The Directors evaluated subsequent events from 1 January 2020 through 8 April 2020, the date the financial statements are approved. The Directors concluded that subsequent events have occurred as disclosed in note 24 in these financial statements.

**Principal Risks and Uncertainties**

The Company is mainly dependant on the business prospects of Klikk Limited and Klikk Code Limited, and consequently, the operating results of the subsidiaries have a direct effect on the Company’s financial position and performance, including the ability of the Company to services its payment obligations under the issued bonds. The Company’s main assets consist of loans receivable issued to its subsidiaries. The ability of these companies to effect payments to the Company under such loans will depend on their respective cash flows and earnings.

The retail industry is marked by strong and increasing competition and many of the Group’s current and potential competitors may have longer operating histories, bigger name recognition, larger customer bases and greater financial and other resources than the companies within the Group. Thus, the principal risks faced by the Group are loss of market share as a result of other participants entering the market, obsolescence of inventories and negative developments in the economic environment.

**Dividends and Reserves**

The results for the year are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 18.

The Board of Directors does not propose the payment of a dividend. Accumulated losses carried forward at the reporting date amounted to €681,989 (2018: €554,841) for the Group and retained earnings of €39,539 (2018: €34,248) for the Company.

# Klikk Finance p.l.c.

## Directors' Report
### for the year ended 31 December 2019

**Financial Risk Management**
The Company's activities expose it to a variety of financial risks, including credit risk and liquidity risk. These are further analysed in Note 12 of the financial statements.

**Going Concern Basis**
After reviewing the Group's forecasted financial statements, the Directors are satisfied at the time of approving the financial statements that the Group and the Company have adequate resources to continue operating for the foreseeable future and therefore it is appropriate to adopt the going concern basis in preparing the financial statements.

**Directors**
The Directors of the Company since the beginning of the year up to the date of this report were:
Mr. Gordon Zammit - Chairman
Mr. Martin Vella - Director and CEO
Mr. William Van Buren - Non-executive Director
Dr. Michael Borg Costanzi - Non-executive Director

**Statement of Directors' Responsibilities for the financial statements**
The Companies Act Cap. 386 of the Laws of Malta requires the Directors of Klikk Finance p.l.c. to prepare annual financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year and of the profit or loss for the year in accordance with the requirements of International Financial Reporting Standards as adopted by the European Union.
In preparing such financial statements, the Directors are responsible for:
- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances; and
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business as a going concern.

The Directors are responsible for designing, implementing and maintaining internal control as necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Maltese Companies Act, 1995. The Directors are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of errors, fraud and other irregularities.

# Klikk Finance p.l.c.

## Directors' Report
### for the year ended 31 December 2019

**Statement of Responsibility pursuant to Prospects MTF Rules**

The Directors confirm that, to the best of their knowledge:

• the financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2019, and of the financial performance and the cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union; and

• in accordance with Prospects MTF Rules, the annual report includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties that the Group and the Company face.

**Auditors**

A resolution to re-appoint HLB CA Falzon as auditors of the Company will be proposed at the forthcoming annual general meeting. HLB CA Falzon have expressed their willingness to continue in office.

**By order of the Board:**

Mr. Gordon Zammit - Chairman

Mr. Martin Vella - Director and CEO

**Registered Office**
Hal Mann, The Factory,
Mosta Road,
Lija LJA 9016

8th April 2020

# Klikk Finance p.l.c.

## Corporate Governance - Statement of Compliance
### for the year ended 31 December 2019

**Introduction**

The Prospects MTF Rules issued by the Malta Stock Exchange (the "Rules") require qualifying companies admitted to Prospects MTF to include a Corporate Governance Statement (the "Statement") explaining its compliance with the provisions of the Code (as hereunder defined), in their Annual Financial Report. This should provide amongst others, an explanation of the extent of adherence to and non-compliance with the Code of Principles of Good Corporate Governance (the "Code”).

The Board of Directors (the "Board" and the members thereof individually a "Director" and collectively the "Directors") of Klikk Finance p.l.c. (the "Company") acknowledges that although the Code does not dictate or prescribe mandatory rules, compliance with the principles of good corporate governance recommended in the Code is in the best interests of the Company, its shareholders and other stakeholders.

The Company's decision-making structure is designed to meet the Company's requirements and to ensure that decision-making is subject to the appropriate checks and balances.

**General**

Good corporate governance is the responsibility of the Board as a whole and has been, and remains a priority for the Company. In deciding on the most appropriate manner in which to implement the Code, the Board took cognisance of the Company’s size, nature and operations, and formulated the view that the adoption of certain mechanisms and structures which may be suitable for companies with extensive operations may not be appropriate for the Company. The limitations of size and scope of operations inevitably impact on the structures required to implement the Code, without however diluting the effectiveness thereof.

The Board considers that, the Company save as indicated herein in the section entitled Non-Compliance with the Code, has been in compliance with the Code throughout the financial year under review.

This Statement shall now set out the structures and processes in place within the Company and how these effectively achieve the goals set out in the Code for the financial year under review. For this purpose, this Statement will make reference to the pertinent principles of the Code and then set out the manner in which the Board considers that these have been adhered to, and in the Non-Compliance with the Code Section, the Board then indicates and explains the instances where it has been departed from or where it has not applied the provisions of this Code, as allowed by the same Code.

For the avoidance of doubt, reference in this Statement to compliance with the principles of the Code means compliance with the Code’s main principles.

# Klikk Finance p.l.c.

## Corporate Governance - Statement of Compliance
**for the year ended 31 December 2019**

**Compliance with the Code**

*Principle One: The Board*

The Directors report that for the financial year under review, the Directors have provided the necessary leadership in the overall direction of the Company and have performed their responsibilities for the efficient and smooth running of the Company with honesty, competence and integrity. Both on an individual level and collectively, the Directors possess the necessary skills and experience to make an effective contribution to the leadership and decision-making processes of the Company as reflected by the Company's strategy and policies. 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. The Board is accountable for its performance and that of its delegates to shareholders and other relevant stakeholders.

The Board has throughout the period under review adopted prudent and effective systems which ensure an open dialogue between the Board and the Company. Indeed, the fact that the Chief Executive Officer (the "CEO") is a member of the Board, and therefore attends board meetings, gives the Board immediate access to the information on the Company's financial position and systems. This also ensures that the CEO, who is the person responsible for the implementation of the strategies devised by the Board, has the ability to interact with the Board on an on-going basis.

The Board delegates specific responsibilities to the Audit Committee which operates under formal terms of reference approved by the Board. Further detail in relation to the Audit Committees and the responsibilities of the Board is provided under Principles 4 of this Statement.

*Principle Two: The Company's Chairman and Chief Executive*

In compliance with the provisions of this Principle, the functions of the Chairman and the CEO of the Company are segregated completely separate from one another and are occupied by different individuals.

The Chairman is responsible for leadership of the Board and for setting its agenda. The Chairman ensures that the Board's discussions on any issue put before it are addressed with adequate depth, that the opinions of all the Directors are taken into account, and that all the Board's decisions are supported by adequate and timely information. The Chairman also ensures that the CEO develops a strategy for subsequent approval by the Board.

*Principle Three: Composition of the Board*

The Board is composed of four (4) Directors, with two (2) executive Directors and two (2) non-executive Directors. The maximum permitted in terms of the Company's Memorandum of Association is seven (7). The non-executive Directors are independent from the Company.  The Board is responsible for the overall long-term strategy of the Group and general policies of the Company and its subsidiaries (the Company, Klikk Code Limited and Klikk Limited collectively the "Group") of monitoring the Company's systems of control and financial reporting and communicating effectively with the market as and when necessary.

In accordance with the Company's Articles of Association, the appointment of directors to the Board is exclusively reserved to the Company's shareholders, except in so far as appointment is made by the Board to fill a casual vacancy, which appointment would be valid until the conclusion of the next Annual General Meeting of the Company following such an appointment.  In terms of the Articles of Association, a Director shall hold office for a period of three (3) years from the date of his appointment, at which point he shall retire but be eligible for re-election.

# Klikk Finance p.l.c.

## Corporate Governance - Statement of Compliance
### for the year ended 31 December 2019

As at 31 December 2019, the Board consisted of the following:

Mr. Gordon Zammit - Chairman
Mr. Martin Vella - Director and CEO
Mr. William Van Buren - Non-executive Director
Dr. Michael Borg Costanzi - Non-executive Director

Mr. William Van Buren and Dr. Michael Borg Costanzi are considered by the Board to be independent non-executive members of the Board.

None of the independent non-executive Directors:

a. are or have been employed in any capacity with the Company and/or the Group;
b. have or had a significant business relationship with the Company and/or the Group;
c. has received significant additional remuneration from the Company and/or the Group;
d. has close family ties with any of the Company's executive Directors or senior employees;
e. has served on the Board for more than twelve consecutive years; or
f. is or has been within the last three years an engagement partner or a member of the audit team of the present or former external auditor of the Company and/or the Group.

Each non-executive Director has declared in writing to the Board that he undertakes:

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

***Principle Four: The Responsibilities of the Board***

The Board acknowledges its statutory mandate to conduct the administration and management of the Company. The Board, in fulfilling this mandate and discharging its duty of stewardship of the Company, assumes responsibility for the Company's and Group's strategy and decisions with respect to the issue, servicing and redemption of its bonds in issue, and for monitoring that its operations are in conformity with its commitments towards bondholders, shareholders, and all relevant laws and regulations. The Board is also responsible for ensuring that the Company establishes and operates effective internal control and management information systems and that it communicates effectively with the market.

The Directors may entrust to and confer upon the CEO any of the powers exercisable by them upon such terms and conditions and with such restrictions as they may think fit, and either collaterally with or to the exclusion of their own powers, and may from time to time revoke, withdraw, alter or vary all or any of such powers.

In accordance with the Code, the Board has established an Audit Committee in order to ensure that the activities of the Board and of the Company's senior management team are monitored and supported. The Terms of Reference of the Audit Committee have been approved by the Board.

# Corporate Governance - Statement of Compliance
## for the year ended 31 December 2019

**Internal Control**

The Board is ultimately responsible for the Company's system of internal controls and for reviewing its effectiveness. The Directors are aware that internal control systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable, and not absolute, assurance against normal business risks.

During the financial year under review the Company operated a system of internal controls which provided reasonable assurance of effective and efficient operations covering all controls, including financial and operational controls and compliance with laws and regulations. Processes are in place for identifying, evaluating and managing the significant risks facing the Company.

Other key features of the system of internal controls adopted by the Company in respect of its own internal control as well as the control of the other companies forming part of the Group are as follows:

*The Audit Committee*

The Audit Committee's primary objective is to assist the Board in fulfilling its responsibilities: in dealing with issues of risk, control and governance; and in reviewing the financial reporting processes, financial policies and internal control structure.

Although the Audit Committee is set up at the level of the Company its main tasks are also related to the activities of the Group.

The Board has set formal Terms of Reference of the Audit Committee that establish its composition, role and function, the parameters of its remit as well as the basis for the processes that it is required to comply with. The Audit Committee is a sub-committee of the Board and is directly responsible and accountable to the Board.

Furthermore, the Audit Committee has the role and function of scrutinising and evaluating any proposed transaction to be entered into by the Company and a related party, to ensure that the execution of any such transaction is at arm's length and on a commercial basis and ultimately in the best interests of the Company.

The Audit Committee is composed of three (3) members, of which two (2) are independent. The Committee met six (6) times during the financial year under review and the attendance of each of the members is as follows:

- Mr. William Van Buren - Independent (Chairman) – six (6)
- Mr. Martin Vella – Non-independent – six (6)
- Dr. Michael Borg Costanzi - Independent – six (6)

Mr. William Van Buren is a non-executive Director and a qualified accountant, who the Board considers as independent and competent in accounting.

*Risk identification*

The Board, with the assistance of the management team, is responsible for the identification and evaluation of key risks applicable to the areas of business in which the Group is involved. These risks are assessed on a continual basis.

*Information and communication*

Periodic strategic reviews which include consideration of long-term financial projections and the evaluation of business alternatives are regularly convened by the Board. An annual budget is prepared and performance against this plan is actively monitored and reported to the Board.

*Principle Five: Board Meetings*

The Directors meet regularly to dispatch the business of the Board. The Directors are notified of forthcoming meetings by the company secretary with the issue of an agenda and supporting Board papers, which are circulated in advance of the meeting. Minutes are prepared during the Board meetings recording inter alia attendance, and resolutions taken at the meeting. The Chairman ensures that all relevant issues are on the agenda supported by all available information, whilst encouraging the presentation of views pertinent to the subject matter and giving all Directors every opportunity to contribute to relevant issues on the agenda. The agenda for the meeting seeks to achieve a balance between long-term strategic and short-term performance issues.

The Board meets as often as frequently required in line with the nature and demands of the business of the Company. Directors attend meetings on a frequent and regular basis and dedicate the necessary time and attention to their duties as Directors of the Company. The Board met six (6) times during the financial year under review. The following Directors attended Board meetings as follows:

Mr. Gordon Zammit - Chairman - six (6) meetings
Mr. Martin Vella - Director and CEO - six (6) meeting
Mr. William Van Buren - Non-executive Director - six (6) meetings
Dr. Michael Borg Costanzi - Non-executive Director - six (6) meetings

*Principle Six: Information and Professional Development*

Each Director is made aware of the Company's on-going obligations in terms of the Companies Act (Cap. 386 of the Laws of Malta) (the "Act") and the Rules. The Company ensures that it provides the Directors with relevant information to enable them to effectively contribute to Board decisions.

Directors have access to the advice and services of (i) the Company Secretary, who is responsible for ensuring adherence to Board procedures as well as good information flows within the Board and the Audit Committee; and (ii) the Corporate Advisor, who is responsible to ensure adherence to the Company's continuing obligations as laid down in the Rules.

Directors are entitled to seek independent professional advice at any time on any aspect of their duties and responsibilities, at the Company's expense.

*Principle Nine: Relations with Shareholders and with the Market*

Pursuant to the Company's statutory obligations in terms of the Act, the Annual Report and Financial Statements, the election of Directors and approval of Directors' fees, the appointment of the auditors and the authorisation of the Directors to set the auditors' fees, and other special business, are proposed and approved at the Company's Annual General Meeting.

The Chairman of the Audit Committee attends the general meeting and is available to answer questions at the Annual General Meeting. Furthermore, in accordance with the Act and the Articles of Association, the Directors shall, on the requisition of a member or members of the Company holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up share capital of the Company convene an extraordinary general meeting of the Company.

With respect to the Company's bondholders and the market in general, during the financial year under review, the Company made a number of announcement in line with its continuing obligations in terms of the Rules.

## Corporate Governance - Statement of Compliance
**for the year ended 31 December 2019**

*Principle Eleven: Conflicts of Interest*

The Directors are aware of their responsibility to always act in the interest of the Company and its shareholders as a whole irrespective of who appointed them to the Board. In accordance with the Company's Articles of Association the Directors shall be obliged to disclose their interest in a contract, arrangement or proposal with the Company in accordance with article 145 of the Act and a Director shall not vote at a meeting of Directors in respect of any contract, arrangement or proposal in which he has a material interest, whether direct or indirect. Furthermore, the Audit Committee has the task to ensure that any potential conflicts of interest are resolved in the best interests of the Company.

During the financial year under review, no private interests or duties unrelated to the Company were disclosed by the Directors which were or could have been likely to place any of them in conflict with any interests in, or duties towards, the Company. Mr. Martin Vella, has a direct beneficial interest in the share capital of the Company, and as such is susceptible to conflicts arising between the potentially diverging interests of the shareholders and the Company.

Lastly, the Company has also adopted a document entitled 'Code of Dealing for Directors & Selected Officers and Employees' addressed to all Directors and selected officers of the Company and the Group. The aim behind this Code is to ensure compliance with the dealing rules applicable to such persons. The Company recently reminded all Directors and senior officers of their obligation to conform to the Code of Dealing on a regular basis.

*Principle Twelve: Corporate Social Responsibility*

The Company seeks to adhere to sound Principles of Corporate Social Responsibility in its management practices, and is committed to enhance the quality of life of all stakeholders of the Company and the Group.

The Board is mindful of the environment and its responsibility within the community in which it operates.

In carrying on its business the Group is fully aware of and at the forefront in preserving the environment and continuously reviews its policies aimed at respecting the environment and encouraging social responsibility and accountability.

**Non-Compliance with the Code**

*Principle Seven: Evaluation of the Board's Performance*

The Code recommends that "the board should appoint a committee chaired by a non-executive Director in order to carry out a performance evaluation of its role." The Board does not consider it necessary to appoint a committee to carry out a performance evaluation of its role, as the Board's performance is always under the scrutiny of the shareholders of the Company

*Principle Eight A: Remuneration Committee*

The Code recommends that "the board should establish a remuneration policy for Directors and senior executives. It should also set up formal and transparent procedures for developing such a policy and for establishing the remuneration packages of individual Directors." In view of the size and type of operation of the Company, the Board does not believe that the Company requires a remuneration committee, and the Board itself carries out the functions of the remuneration committee specified in, and in accordance with, Principle Eight A of the Code, given that the remuneration of the Directors is not performance-related.

# Klikk Finance p.l.c.

## Corporate Governance - Statement of Compliance
### for the year ended 31 December 2019

The maximum annual aggregate emoluments that may be paid to the Directors is, pursuant to the Company's Memorandum and Articles of Association, approved by the shareholders in general meeting.

The remuneration policy for directors has been consistent since inception; no Director (including the Chairman) is entitled to profit sharing, share options or pension benefits. There is no linkage between the remuneration and the performance of Directors. A fixed honorarium is payable at each financial year to the non-executive Directors.

For the financial year under review the aggregate remuneration of the Directors of the Group was as follows:

| | |
|---|---|
| Fixed remuneration | €51,744 |

***Principle Eight B: Nomination Committee***

The Code recommends that "there should be a formal and transparent procedure for the appointment of new directors to the board. The procedure shall ensure, inter alia, adequate information on the personal and professional qualifications of the candidates."

In view of the size and type of operation of the Company, the Board does not believe that the Company requires a nomination committee. Reference is also made to the information provided under the subheading 'Principle Three' above, which provides for a formal and transparent procedure for the appointment of new Directors to the Board.

***Principle Nine: Relations with Shareholders and with the Market***

This Code Provision recommends that "Procedures should be established to resolve conflicts between minority shareholders and controlling shareholders. To resolve conflicts, there should be some mechanism, disclosed in the Company's Memorandum or Articles, to trigger arbitration." All shareholders have the same holding in the Company and there are as such, no controlling and minority shareholders.

***Principle Ten: Institutional Shareholders***

The Company does not have any institutional shareholders.

Approved by the Board on 8th April 2020 and signed on its behalf by:

| | |
|---|---|
| Mr. Gordon Zammit - Chairman | Mr. Martin Vella - Director and CEO |

HLB CA FALZON
CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditor's Report

*Report on the Financial Statements for the year ended 31 December 2019*

We have audited the individual financial statements of Klikk Finance p.l.c. (“the Company”) and the consolidated financial statements of the Company and its subsidiaries (together, “the Group”), set out on pages 18 to 59, which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

*Opinion*

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2019, and of the Group’s and the Company’s financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and have been properly prepared in accordance with the requirements of the Companies Act, Cap. 386 of the Laws of Malta.

*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 Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap.281) in Malta, and we have fulfilled our other ethical responsibilities in accordance with the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*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. These matters where addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon.

We do not provide a separate opinion on these matters on which to report.

## Independent Auditor's Report

### *1. Impact of new accounting standards*

*Risk description*

Significant changes in accounting standards relevant to the Company and the Group came into effect for the financial year ended 31 December 2019. In particular, IFRS 16 - Leases brings most leases on-balance sheet for lessees under a single model, thus eliminating for lessees the distinction between operating and finance leases. Given the significance of the Group's leasing transactions, the application of this standard is expected to result in significant adjustments to the financial statements for the year ending 31 December 2019, whereby Klikk Finance p.l.c. recognised additional liabilities of €311,198 as at 1 January 2019 with corresponding Right-of-Use assets for the same amount. Right-of-Use assets are primarily in relation to the temporary emphyteusis of the leasehold land and buildings.

*How the scope of our audit responded to the risk*

Our audit procedures included use of IFRS framework to assess in particular, the manner in which the Group implemented the new standard IFRS 16 on leases for the financial year ended 31 December 2019, including the revision of applicable accounting policies and the inclusion of the required entity specific additional disclosures thereon.

Significant judgements and estimates arising from the implementation of the new requirements of the Standard comprise the following:

- The weighted average incremental borrowing rate that Klikk Finance p.l.c. applied to its lease liabilities as at 1 January 2019 was 4.72% p.a. reflecting the rate of interest that it would have to pay to borrow over a similar term, with a similar security, the funds to obtain an asset of a similar value to the Right-of-Use assets in a similar economic environment. The selection of the applicable rate, has a significant effect on these financial statements.

*Findings*

The Company's disclosures on this matter are primarily set out in note 17 with the accounting policies explained in note 2 (o) to the financial statements. Judgements in applying accounting policies and key sources of estimation uncertainty are also found in note 3.

### *Other matter - The impact of uncertainties due to the global Coronavirus pandemic on our audit*

Uncertainties related to the consequential economic effects of the Coronavirus pandemic are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of loans and advances to customers for the next financial year and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group's future prospects and performance.

The Coronavirus outbreak is one of the most significant economic events for the world, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes consequences, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to the economic effects of the pandemic.

HLB CA FALZON
CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditor's Report

***Other Information***

The Directors are responsible for the other information. The other information comprises of the Directors' 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 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 Companies Act, Cap. 386 of the Laws of Malta. Based on the work we have performed, in our opinion:

- the information given in the Directors' Report for the year ended 31 December 2019 is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with the Companies Act, Cap. 386 of the Laws of Malta.

In addition, in light of the knowledge and understanding of the Group and its environment, obtained in the course of the audit, we are required to report if we have identified material misstatements in the Directors' Report.

Based on the work we have performed, we have nothing to report in this regard.

***Responsibilities of the Directors and Those Charged with Governance***

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by the European Union, and for such internal controls 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. Those charged with governance are responsible for overseeing the Company's financial reporting process.

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

HLB CA FALZON
CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditor's Report

***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. Misstatements can arise from fraud or error and are considered material if, individually or in 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 ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risk 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- 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 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors 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

## Independent Auditor's Report

We also provide those charged with governance with a statement that we have complied with 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 benefits of such communication.

*Report on other legal and regulatory requirements*

**Report on the statement of compliance with the Principles of Good Corporate Governance**

The Prospects Rules issued by the Malta Stock Exchange require the Director 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 effective measures that they have taken to ensure compliance throughout the accounting period with those principles.

The Prospects Rules also require the auditor to include a report on the Statement of Compliance prepared by the Directors.

We read the Statement of Compliance 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 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 Statement of Compliance set out on pages 4 to 10 has been properly prepared in accordance with the requirements of the Prospects Rules issued by the Malta Stock Exchange.

HLB CA FALZON
CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditor's Report

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

We have also responsibilities:
Under the Maltese 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.

Under the Prospects MTF 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.

***Audit Tenure***
We were first appointed as auditor by the shareholders on 16 March 2018, and subsequently reappointed at the Company's general meetings for each financial year thereafter.

This copy of the audit report has been signed by:

**Jozef Wallace Galea (Partner)**
**for and on behalf of HLB CA Falzon**
**Registered Auditors**

8th April 2020

www.hlbmalta.com

Together we make it happen

HLB CA Falzon, Central Office Building, Block A, Level 1, Mosta Road, Lija LJA 9016, Malta
TEL: +356 2010 9800 EMAIL: info@hlbmalta.com VAT NO: MT 2080 6811
PARTNERS: Jozef Wallace Galea, Alfred Falzon, Patrizio Prospero, Fiona Buttigieg.

# Klikk Finance p.l.c.

## Consolidated Statement of Comprehensive Income

**for the year ended 31 December 2019**

| | | The Group | | The Company | |
|---|---|---|---|---|---|
| | | **2019** | **2018** | **2019** | **2018** |
| | **Note** | **€** | **€** | **€** | **€** |
| **Revenue** | 6 | 6,419,562 | 5,378,105 | 193,976 | 222,002 |
| Cost of sales | 7 | (5,432,590) | (4,393,167) | - | - |
| **Gross profit** | | 986,972 | 984,938 | 193,976 | 222,002 |
| Selling and distribution expenses | 7 | (73,912) | (81,960) | - | - |
| Administrative expenses | 7 | (974,597) | (977,095) | (94,030) | (30,547) |
| Other operating expenses | 7 | (4,284) | (124) | - | - |
| Other operating income | 6 | 43,850 | 86,107 | 54,247 | 35,395 |
| | | (21,971) | 11,866 | 154,193 | 226,850 |
| Interest income | 6 | 28,414 | 40,360 | - | - |
| Finance costs | 7 | (167,738) | (172,305) | (148,902) | (153,829) |
| **(Loss)/profit before tax** | | (161,295) | (120,079) | 5,291 | 73,021 |
| Income tax credit | 9 | 34,147 | 53,429 | - | - |
| **(Loss)/profit for the year** | | (127,148) | (66,650) | 5,291 | 73,021 |
| Attributable to: | | | | | |
| Equity holders of the parent | | (127,148) | (66,650) | | |
| **Earnings per share (cents)** | | | | | |
| Basic, loss for the year attributable to ordinary equity holders of the parent | 20 | (0.36) | (0.19) | | |

The notes on pages 23 to 59 form part of these financial statements.

## Klikk Finance p.l.c.

## Consolidated Statement of Financial Position
**as at 31 December 2019**

| | Note | The Group 2019 | The Group 2018 | The Company 2019 | The Company 2018 |
|---|---|---|---|---|---|
| | | € | € | € | € |
| **ASSETS** | | | | | |
| Property, plant & equipment | 10 | 230,369 | 286,194 | 3,750 | 7,500 |
| Right of Use assets | 17 | 203,662 | - | - | - |
| Intangible assets | 11 | 525,194 | 472,816 | - | - |
| Investment in subsidiaries | 13 | - | - | 510,000 | 510,000 |
| Other non-current financial assets | | - | - | 2,258,381 | 2,357,361 |
| Trade receivables | 15 | 493,018 | 362,583 | - | - |
| Deferred tax assets | 18 | 337,112 | 302,965 | - | - |
| **Total non-current assets** | | 1,789,355 | 1,424,558 | 2,772,131 | 2,874,861 |
| **Current assets** | | | | | |
| Inventories | 14 | 1,229,408 | 1,031,723 | - | - |
| Trade and other receivables | 15 | 1,323,826 | 1,289,720 | 923,848 | 431,827 |
| Current tax recoverable | 9 | 2 | 2 | - | - |
| Cash and short-term deposits | 21 | 754,700 | 1,068,264 | 80,180 | 565,471 |
| **Total current assets** | | 3,307,936 | 3,389,709 | 1,004,028 | 997,298 |
| **Total assets** | | 5,097,291 | 4,814,267 | 3,776,159 | 3,872,159 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity** | | | | | |
| Issued capital | 19 | 350,000 | 350,000 | 350,000 | 350,000 |
| Additional contributed capital | 19 | 848,735 | 848,735 | 649,368 | 649,368 |
| (Accumulated losses)/Retained earnings | | (681,989) | (554,841) | 39,539 | 34,248 |
| **Equity attributable to equity holders of the parent** | | 516,746 | 643,894 | 1,038,907 | 1,033,616 |
| **Total equity** | | 516,746 | 643,894 | 1,038,907 | 1,033,616 |
| **Non-current liabilities** | | | | | |
| Loans and borrowings | 12 | 2,399,098 | 2,553,439 | 2,399,098 | 2,553,439 |
| Lease liability | 17 | 131,731 | - | - | - |
| **Total non-current liabilities** | | 2,530,829 | 2,553,439 | 2,399,098 | 2,553,439 |
| **Current liabilities** | | | | | |
| Loans and borrowings | 12 | 305,245 | 409,140 | 185,673 | 156,303 |
| Lease liability | 17 | 79,310 | - | - | - |
| Trade and other payables | 16 | 1,665,161 | 1,207,794 | 152,481 | 128,801 |
| Total current liabilities | | 2,049,716 | 1,616,934 | 338,154 | 285,104 |
| **Total liabilities** | | 4,580,545 | 4,170,373 | 2,737,252 | 2,838,543 |
| **Total equity and liabilities** | | 5,097,291 | 4,814,267 | 3,776,159 | 3,872,159 |

The notes on pages 23 to 59 form part of these financial statements.

The financial statements set out on pages 18 to 59 were approved and authorized for issue by the Board of Directors and signed on its behalf by:

Mr. Gordon Zammit - Chairman

Mr. Martin Vella - Director and CEO

8th April 2020

Klikk Finance p.l.c.

# Consolidated Statements of Changes in Equity

**for the year ended 31 December 2019**

| | Attributable to the equity holders of the parent (The Group) | | | | | |
|---|---|---|---|---|---|---|
| | **Issued share capital (note 19)** | **Retained earnings** | **Additional contributed capital (note 19)** | **Equity attributable to equity holders of the parent** | **Non-controlling interest** | **Total Equity** |
| | **€** | **€** | **€** | **€** | **€** | **€** |
| **Balance as at 1 January 2018** | | | | | | |
| Opening balance | 350,000 | (393,055) | 848,735 | 805,680 | (85,136) | 720,544 |
| Loss for the year | - | (66,650) | - | (66,650) | - | (66,650) |
| **Total comprehensive income for the year** | - | (66,650) | - | (66,650) | - | (66,650) |
| Change in shareholding | - | (95,136) | - | (95,136) | 85,136 | (10,000) |
| **Balance as at 31 December 2018** | 350,000 | (554,841) | 848,735 | 643,894 | - | 643,894 |
| **Balance as at 1 January 2019** | | | | | | |
| Opening balance | 350,000 | (554,841) | 848,735 | 643,894 | - | 643,894 |
| Loss for the year | - | (127,148) | - | (127,148) | - | (127,148) |
| **Total comprehensive income for the year** | - | (127,148) | - | (127,148) | - | (127,148) |
| **Balance as at 31 December 2019** | 350,000 | (681,989) | 848,735 | 516,746 | - | 516,746 |

The notes on pages 23 to 59 form part of these financial statements.

# Klikk Finance p.l.c.

## Consolidated Statements of Changes in Equity
**for the year ended 31 December 2019**

| | The Company | | | |
|---|---|---|---|---|
| | Issued capital | Additional contributed capital | Accumulated losses | Total equity |
| | € | € | € | € |
| **Balance as at 1 January 2018** | | | | |
| Opening balance | 350,000 | 649,368 | (38,773) | 960,595 |
| Profit for the year | - | - | 73,021 | 73,021 |
| **Total comprehensive income for the year** | - | - | 73,021 | 73,021 |
| **Balance as at 31 December 2018** | 350,000 | 649,368 | 34,248 | 1,033,616 |
| **Balance as at 1 January 2019** | | | | |
| Opening balance | 350,000 | 649,368 | 34,248 | 1,033,616 |
| Profit for the year | - | - | 5,291 | 5,291 |
| **Total comprehensive income for the year** | - | - | 5,291 | 5,291 |
| **Balance as at 31 December 2019** | 350,000 | 649,368 | 39,539 | 1,038,907 |

The notes on pages 23 to 59 form part of these financial statements.

## Klikk Finance p.l.c.

## Consolidated Statement of Cash Flows
**for the year ended 31 December 2019**

| | | The Group | | The Company | |
|---|---|---|---|---|---|
| | **Note** | **2019** | **2018** | **2019** | **2018** |
| | | **€** | **€** | **€** | **€** |
| **Cash flows from operating activities** | | | | | |
| (Loss)/profit before tax | | (161,295) | (120,079) | 5,291 | 73,021 |
| Depreciation of property, plant and equipment | | 59,525 | 63,428 | 3,750 | 3,750 |
| Depreciation of Right of Use assets | | 107,536 | - | - | - |
| Allowance for impairment of receivables | | 24,499 | (4,839) | - | - |
| Finance income | | (28,414) | (40,360) | - | - |
| Finance costs | | 167,738 | 189,210 | 148,902 | 153,829 |
| Working capital changes: | | | | | |
| Changes in inventories | | (197,685) | (317,026) | - | - |
| Changes in receivables | | (112,781) | (93,551) | 97,983 | 513,658 |
| Changes in payables | | 520,121 | 88,676 | 25,219 | (29,711) |
| Advances from/(Payments) to related companies | | 2,942 | (237,993) | - | - |
| Interest paid on overdraft | | (6,472) | (18,475) | - | - |
| Interest received | | 29,111 | 39,967 | - | - |
| Finance income | | - | 195 | - | - |
| Taxation paid | | - | (29) | - | - |
| **Net cash from/(used in) operating activities** | | 404,825 | (450,876) | 281,145 | 714,547 |
| **Cash flows from investing activities** | | | | | |
| Payments to acquire property, plant and equipment | | (3,700) | (64,136) | - | - |
| Payments to acquire intangible assets | | (52,378) | (54,865) | - | - |
| Payments to acquire additional investment in subsidiary | | - | (10,000) | - | (10,000) |
| Advances/(Payments) to group undertaking | | - | - | 98,970 | (865,526) |
| **Net cash (used in)/ from investing activities** | | (56,078) | (129,001) | 98,970 | (875,526) |
| **Cash flows from financing activities** | | | | | |
| Repayment of banks loans | | (289,007) | (39,723) | (153,129) | (39,723) |
| Interest paid on loans | | (64,341) | (42,185) | (36,861) | (42,185) |
| Interest paid on bonds | | (105,000) | (105,000) | (105,000) | (105,000) |
| Advances/(Payments) to related undertaking | | 5,951 | 237,049 | (594,146) | (225,273) |
| Advances/(Payments) group undertaking | | 14,856 | (16,606) | - | - |
| Repayment of finance lease | | (112,520) | | | |
| Advances/(Payments) to shareholders | | (102) | 16,905 | - | - |
| **Net cash (used in)/ from financing activities** | | (550,163) | 50,440 | (889,136) | (412,181) |
| **Net movement in cash and cash equivalents** | | (201,416) | (529,437) | (509,021) | (573,160) |
| Cash and cash equivalents at beginning of year | | 812,814 | 1,341,327 | 565,471 | 1,138,631 |
| **Cash and cash equivalents at end of year** | 21 | 611,398 | 811,890 | 56,450 | 565,471 |

The notes on pages 23 to 59 form part of these financial statements.

## Consolidated Notes to the Financial Statements
**for the year ended 31 December 2019**

# 1. Corporate information

The consolidated financial statements of Klikk Finance p.l.c., its subsidiary and sub-subsidiary ("the Group") for the year ended 31 December 2019 were authorized for issue in accordance with a resolution of the directors on 8th April 2020.

Klikk Finance p.l.c. ("the Company") is a public limited liability company incorporated in Malta, under the Companies Act, Cap. 386 of the Laws of Malta. The Company's registration number is C 52833. The Company changed its status from private company to public and changed its name to Klikk Finance p.l.c with effect from 14 June 2017.

# 2. Significant accounting policies

**2.1 Basis of preparation and consolidation**

These financial statements are prepared under the historical cost convention, as modified by the measurement of investment property, land and buildings classified as property, plant and equipment and financial assets at fair value and are in accordance with the requirements of the International Financial Reporting Standards (IFRS) as adopted by the European Union and comply with the Companies Act, Cap. 386 of the Laws of Malta. The consolidated financial statements are presented in Euro (€), which is the functional currency of the Group.

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If this aggregate is less than the fair value of the identifiable net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities and other components of equity, while any resultant gain or loss is recognised in profit
or loss. Any investment retained is recognised at fair value.

**2.2 Current versus non-current classification**

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting date; or
- Cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting date; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting date.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

**2.3 Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any, at the date on which control was obtained. Depreciation charge is provided from the month of acquisition until the month in which the asset is disposed of or scrapped.

Depreciation is calculated using the straight line method to allocate the cost of the assets to their residual values over their estimated useful lives, as follows:

| | |
|---|---|
| Improvements | 5% |
| Improvements - Zejtun | 10% |
| Lift equipment | 10% |
| Air conditioners | 16.67% |
| Motor vehicles | 20% |
| Computer equipment | 25% |
| Computer software | 25% |
| Office equipment | 25% |
| Furniture & fittings | 10% |

Depreciation methods, useful life and residual values are reassessed at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is derecognised.

**2.4 Intangible assets**

The Group's intangible assets comprises website development costs, which is being amortised on a straight line basis over a period of 4 years, which period is estimated to reflect its useful economic life. The Group also develops a computer software on which amortisation will be charged upon completion of the asset.

*Business combination and goodwill*

Goodwill is initially measured at cost. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it correctly identified all of the assets acquired and all of the liabilites assumed and reviews the procedures used to measure the amounts at the acquisition date. If the reassesement results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss. Goodwill was not remeasured upon acquisition of additional shares as control was already obtained previously and hence, accounted for as equity with owners, in accordance with IAS 27.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

**2.5 Investment in subsidiary**

A subsidiary is an entity that is controlled by the company. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Investments in subsidiaries is stated at cost less any impairment loss which may have arisen. Income from the 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 recovery of investment and are recogised as a reduction of the cost of investment.

**2.6 Inventories**

Inventories are valued at the lower of cost and net realisable value.

Cost is determined on the weighted average cost method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity).

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

**2.7 Other receivables**

Other receivables include, receivables created by the enterprise by providing funds directly to a debtor and are measured at cost.

Prepayments comprise payments made in advance in respect of expenditure relating to the subsequent financial year and accrued income is income relating to the current period, which will not be invoiced until after the current reporting date.

**2.8 Cash and short-term deposits**

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cashflows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

**2.9 Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

**2.10 Additional contributed capital**

This equity reserve is attributable to the equity holders of the parent. The primary objective is to maximize the shareholders' value.

### 2.11 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

### 2.12 Foreign currencies

Translations denominated in foreign currencies are translated at the exchange rate ruling on the date of the transactions. Monetary receivables and payables denominated in foreign currencies are translated at the rates of exchange prevailing at each reporting date. Translation differences are dealt with in the statement of comprehensive income.

### 2.13 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

***Financial assets***

*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as financial assets measured at amortized cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI). All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at FVTPL, transaction costs that are attributable to the acquisition of the financial asset.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

***Subsequent measurement***

For purposes of subsequent measurement, financial assets in these financial statements are classified in four categories:

- financial assets at amortised cost (debt instruments)
- financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- financial assets at FVTPL

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.
The Group's financial assets at amortised cost includes trade receivables, and receivables from related companies which are included under current financial assets.

Financial assets at FVOCI (debt instruments)

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

As at 31 December 2019 and 2018, the Group has no debt instruments at FVOCI.

Financial assets designated at FVOCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under *IAS 32 Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

As at 31 December 2019 and 2018, this category consists of investment in quoted and unquoted equity shares.

Financial assets at FVTPL

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at FVOCI. Dividends on listed equity investments are recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.
As at 31 December 2019 and 2018, the Group has no financial assets at FVTPL.

*Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is primarily derecognised (i.e., removed from the Group's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

*Impairment*

Further disclosures relating to impairment of financial assets are also provided in notes 3 and 15 to the consolidated financial statements.

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For cash in bank, contract assets and amounts due from group and related undertakings, the Group applies a general approach in calculating ECLs. Therefore, the Group tracks changes in credit risk, and recognises a loss allowance based on either 12-month ECLs or lifetime ECLs, depending on whether there has been a significant increase in credit risk on the financial instrument since initial recognition. This is being done by considering the change in the risk of default occurring over the remaining life of the financial instrument.

The following are the key elements in the calculation of ECLs:

| | |
|---|---|
| *a. Probability of Default (PD)* | The PD is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the financial asset has not been previously derecognised. |
| *b. Exposure at Default (EAD)* | The EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date. |
| *c. Loss Given Default (LGD)* | The LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive. |

The mechanics of the ECL method are summarised below:

| | |
|---|---|
| Stage 1: | The 12-month ECL is calculated as the portion of lifetime ECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12-month ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD. |

| | |
|---|---|
| Stage 2: | When a financial asset has shown a significant increase in credit risk since origination, the Group records an allowance for the lifetime ECL. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. |
| Stage 3: | For financial asset considered as credit-impaired, the Group recognises the lifetime ECL. The method is similar to that for Stage 2 financial assets, with the PD set at 100%. |

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

***Financial liabilities***

*Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

*Subsequent measurement*

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- financial liabilities at FVTPL
- financial liabilities at amortised cost (loans and borrowings)

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at FVTPL.

Financial liabilities at amortised cost (loans and borrowings)

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to note 18 to the consolidated financial statements.

*Derecognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

***Offsetting of financial instruments***

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

### 2.14 Revenue from contracts with customers

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

The following specific recognition criteria must also be met before revenue is recognised:

The Group is in the business of selling, providing maintenance and installation of computer software, hardware and related ancillary products. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, except for the agency services below, because it typically controls the goods or services before transferring them to the customer.

The Group's revenue recognition is straight-forward, hence no significant accounting judgement, estimates and assumptions (i.e., in terms of estimating variable considerations and stand-alone selling price) are involved.
The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 6.

**Sale of goods**

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, which generally coincides with the date of the invoice. The normal credit term is 6 to 36 months upon delivery.
The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

**Warranty obligations**

The Group typically provides warranties for general repairs of defects that existed at the time of sale, as required by law. These assurance-type warranties are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

**Contract balances**

*Contract assets*

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

*Trade receivables*

A receivable represents the Group’s right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

*Contract liabilities*

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

***Assets and liabilities arising from rights of returns***

*Right of return assets*

A right-of-return asset is recognised for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods and any potential decreases in value. The Group updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned products.

*Refund liabilities*

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer. The Group's refund liabilities arise from customers' right of return. The liability is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

***Cost to obtain a contract***

*Provision of services*

Revenue from the provision of services is recognized in the year in which the services are rendered, by reference to the completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

*Interest and investment income*

Interest income is accounted for when it is probable that the economic benefits associated with the transaction will flow to the Group and these can be measured reliably.

*Dividend income*

Dividend income is recognised on the date the Group's right to receive income is established.

**2.15 Leases**

***Upon adoption of IFRS 16 Leases***

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

*The Group as a lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

As at 31 December 2019, the Group has no on-going contract as a 'lessee'.

*i) Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

| | |
|---|---|
| Plant and machinery | 3 to 15 years |
| Motor vehicles | 3 to 5 years |
| Other equipment | 3 to 5 years |

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section 2.22 *Impairment of non-financial assets* .

*ii) Lease Liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.
The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.
The Group's lease liabilities are included in Interest-bearing loans and borrowings (see Note 12).

As at year ended 31 December 2019, the Group has no on-going contract as a lessor.

***Prior to adoption of IFRS 16 Leases***

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains a lease if fulfillment of the arrangement is dependent on the use of a specific asset(s) and the arrangement conveys a right to use the asset(s), even if that right is not explicitly specified in an arrangement.

*The Group as a lessee*

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date at fair value of the leased property or, if lower, at the present value of the minimum lease payment.

Operating lease payments are recognised as an operating expense in the profit or loss on a straight-line basis over the lease term.

### 2.16 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognized in profit or loss, except when it relates to items recognized in other comprehensive income or directly in equity, in which case it is also dealt with in other comprehensive income or in equity, as appropriate.

*Current income tax*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted, at the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss.

*Deferred income tax*

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recongised for all temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at each reporting date.

*Value Added Tax*

Revenue, expenses and assets are recognised net of Value Added Tax, except:

- where the Value Added Tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case Value Added Tax is recognised as part of the acquisition of the asset or as part of the expense item, as applicable;
- where receivables and payables that are stated with the amount of Value Added Tax included.

The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

**2.17 Borrowing costs**

Borrowing costs which are incurred for the purpose of acquiring or constructing qualifying property, plant and equipment or investment property, are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway, during the period of time that is required to complete and prepare the asset for its intended use. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended. All other borrowing costs are expensed.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

## 3. Critical accounting estimates and judgements

In preparing the financial statements, the directors are required to make judgements, estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the financial statements. These estimates are reviewed on a regular basis and if a change is needed, it is accounted in the period the changes become known. The most significant judgement and estimates are as follows:

**Judgments**

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

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

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

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

The Group included the renewal period as part of the lease term for leases of plant and machinery with shorter non-cancellable period (i.e., three to five years). The Group typically exercises its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available. The renewal periods for leases of plant and machinery with longer non-cancellable periods (i.e., 10 to 15 years) are not included as part of the lease term as these are not reasonably certain to be exercised. In addition, the renewal options for leases of motor vehicles are not included as part of the lease term because the Group typically leases motor vehicles for not more than five years and, hence, is not exercising any renewal options. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

**Estimates and assumptions**

*Impairment of non-financial assets*

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill recognised by the Group.

*Provision for ECL on trade receivables*

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

*Provision for ECL on other financial assets*

The measurement of the Group's ECL on cash in banks, coontracts assets, and amounts due from group and related undertakings is a function of the PD, LGD and the EAD. These financial assets are measured under Stage 1 of the impairment model, and therefore ECLs are calculated on 12-month basis.

Elements of the ECL model which are considered accounting judgments and estimates include:

- The Group's internal credit grading model, which assigns PDs to the individual grades
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances should be measured on a liftetime ECL basis and the qualitative assessment
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

It is the Group's policy to regularly review its model in the context of actual loss experience and adjust when necessary.

*Finance lease commitments - Group as lessee*

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statment of profit or loss.

*Leases - Estimating the incremental borrowing rate*

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

*Recognition of deferred tax assets*

The extent to which deferred tax assets can be recognized 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-forward can be utilized. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

In the opinion of the management, except for the above, the accounting estimates, assumptions and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as significant in terms of the requirements of IAS 1 (revised) – 'Presentation of Financial Statements'.

## 4. Changes in Accounting policies and disclosures

### 4.1 New and amended standards and interpretations

The Group applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

**IFRS 16 *Leases***

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 E*valuating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

In accordance with the transitional provisions of IFRS 16, comparative figures have not been restated, thereby resulting in the following impact:

a. Comparative information for prior periods are not restated. The classification and measurement requirements previously applies, as well as disclosures required in accordance with IAS 17 are retained for the comparative periods.

b. The accounting policies for both the current period and the comparative periods, one applying IFRS 16 and one applying IAS 17, are disclosed in the notes to the consolidated financial statements.

c. As comparative information are not restated, the Group is not required to provide a third statement of financial information at the beginning of the earliest comparative period in accordance with IAS 1 *Presentation of Financial Statements* .

The effect of adoption IFRS 16 as at 1 January 2019 (increase/(decrease)) is, as follows:

| | € |
|---|---|
| **Assets** | |
| Right-of-use assets | 203,662 |
| ***Total assets*** | **203,662** |
| **Liabilities** | |
| Lease liabilities | 211,041 |
| ***Total liabilities*** | **211,041** |

The Group has lease contracts for various items of plant, machinery, vehicles and other equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

*Leases previously classified as finance leases*

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 were applied to these leases from 1 January 2019.

*Leases previously accounted for as operating leases*

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

Based on the above, as at 1 January 2019:

- Right-of -use assets of €203,662 were recognised and presented separately in the statement of financial position.
- Additional lease liabilities of €211,041 (included in Interest bearing loans and borrowings) were recognised.
- Deferred tax liabilities decreased by €2,583 because of the deferred tax impact of the changes in assets and liabilities.

For the year ended 31 December 2019:

- Depreciation expense increased by €107,536 because of the depreciation of additional assets recognised (i.e., increase in right-of-use assets, net of the decrease in 'Property, plant and equipment').
- Rent expense included in 'Administrative expenses', relating to previous operating leases, decreased by €70,161.

- Finance costs' increased by €26,222 relating to the interest expense on additional lease liabilities recognised.

***IFRIC Interpretation 23 Uncertainty over Income Tax Treatment***

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. The Group applies significant judgement in identifying uncertainties over income tax treatments.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions.. The Company determined, based on its tax compliance, that it is probable that its tax treatments will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Group.

*Amendments to IFRS 9: Prepayment Features with Negative Compensation*

Under IFRS 9, a debt instrument can be measured at amortised cost or at FVOCI provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the consolidated financial statements of the Group.

***Amendments to IAS 19: Plan Amendment, Curtailment or Settlement***

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

***Amendments to IAS 28: Long-term interests in associates and joint ventures***

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

These amendments had no impact on the consolidated financial statements as the Group does not have longterm interests in its associate and joint venture.

***Annual Improvements 2015-2017 Cycle***

*IFRS 3 Business Combinations*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where joint control is obtained.

*IFRS 11 Joint Arrangements*

An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where a joint control is obtained.

*IAS 12 Income Taxes*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

*IAS 23 Borrowing Costs*

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted.

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

**4.2 Standards, interpretations and amendments to published standards that are not yet effective**

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

| ***Description*** | ***Effective for annual periods beginning on or*** |
|---|---|
| *Amendments to IFRS 3: Definition of a Business* | 1 January 2020 |
| *Amendments to IAS 1 and IAS 8: Definition of Material* | 1 January 2020 |
| *IFRS 17 Insurance Contracts* | 1 January 2021 |

# Klikk Finance p.l.c.

## Consolidated Notes to the financial statements
**for the year ended 31 December 2019**

## 5. Segment information

For management purposes, the Group is organised into business units based on its products and services and has three reportable segments, as follows:
- The lending and financing segment, which carries the business of a finance and holding company.
- The retail segment, which operates computer retail outlets.
- The software development segment, which develops software solutions to customers.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Inter-segment revenues are eliminated upon consolidation and reflected in the 'adjustments and eliminations' column. All other adjustments and eliminations are part of the detailed reconciliations presented further below.

| Year ended 31 December 2019 | Lending and financing | Retail | Software Development | Total segments | Adjustments and eliminations | Consolidated |
|---|---|---|---|---|---|---|
| | € | € | € | € | € | € |
| **Revenue** | | | | | | |
| External customers | 4,389 | 6,116,910 | 298,263 | 6,419,562 | - | 6,419,562 |
| | 4,389 | 6,116,910 | 298,263 | 6,419,562 | - | 6,419,562 |
| **Expenses** | | | | | | |
| Cost of inventories recognised as an expense | - | 5,134,261 | 327,509 | 5,461,770 | (29,180) | 5,432,590 |
| Employee benefits expenses | - | 561,779 | 281,413 | 843,192 | - | 843,192 |
| Depreciation and amortisation | 3,750 | 161,471 | 1,840 | 167,061 | - | 167,061 |
| Finance costs | 148,902 | 180,943 | 27,480 | 357,325 | (189,587) | 167,738 |
| **Segment profit/(loss)** | 5,291 | (146,435) | (69,286) | (210,430) | 49,135 | (161,295) |
| **Total assets** | 3,776,147 | 3,622,080 | 685,747 | 8,083,974 | (2,986,683) | 5,097,291 |
| **Total liabilities** | (2,737,242) | (4,094,476) | (688,821) | (7,520,539) | 2,939,994 | (4,580,545) |

## Klikk Finance p.l.c.

**for the year ended 31 December 2019**

## 5. Segment information (continued)

| Year ended 31 December 2018 | Lending and financing | Retail | Software Development | Total segments | Adjustments and eliminations | Consolidated |
|---|---|---|---|---|---|---|
| | € | € | € | € | € | € |
| **Revenue** | | | | | | |
| External customers | 53,666 | 5,017,003 | 307,436 | 5,378,105 | - | 5,378,105 |
| | 53,666 | 5,017,003 | 307,436 | 5,378,105 | - | 5,378,105 |
| **Expenses** | | | | | | |
| Cost of inventories recognised as an expense | - | 4,164,399 | 254,306 | 4,418,705 | (25,538) | 4,393,167 |
| Employee benefits expenses | - | 592,160 | 254,306 | 846,466 | - | 846,466 |
| Depreciation and amortisation | 3,750 | 58,617 | 1,061 | 63,428 | - | 63,428 |
| Finance costs | 153,829 | 186,812 | 16,905 | 357,546 | (185,241) | 172,305 |
| **Segment profit/(loss)** | 73,021 | (224,663) | 30,340 | (121,302) | 1,223 | (120,079) |
| **Total assets** | 3,872,159 | 3,327,462 | 395,556 | 7,595,177 | (2,780,910) | 4,814,267 |
| **Total liabilities** | (2,383,543) | (3,687,024) | (329,890) | (6,855,457) | 2,685,084 | (4,170,373) |

## 6. Revenue

### 6.1 Disaggregated revenue information

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | € | € | € | € |
| **Type of goods or service** | | | | |
| Interest income | 32,803 | 79,728 | 193,976 | 207,704 |
| Management fees | 28,107 | 32,696 | 7,959 | 14,299 |
| Sale of goods | 6,116,910 | 5,012,638 | - | - |
| Provision of services | 298,263 | 307,436 | - | - |
| Other income - legal fees, insurance claims | 15,743 | 72,074 | 46,288 | 35,394 |
| **Total revenue** | 6,491,826 | 5,504,572 | 248,223 | 257,397 |
| **Timing of revenue recognition** | | | | |
| Revenue recognized at a point in time | 6,491,826 | 5,504,572 | 248,223 | 257,397 |
| **Total revenue** | 6,491,826 | 5,504,572 | 248,223 | 257,397 |

Set out below, is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information (note 5).

| | Lending and financing | Retail | Software Development | Total segments |
|---|---|---|---|---|
| **31 December 2019** | € | € | | € |
| **Revenue** | | | | |
| External customers | 4,389 | 6,116,910 | 298,263 | 6,419,562 |
| Inter-segment | 189,587 | 29,180 | - | 218,767 |
| | 193,976 | 6,146,090 | 298,263 | 6,638,329 |
| Inter-segment adjustments and eliminations | (189,587) | (29,180) | - | (218,767) |
| **Total revenue** | 4,389 | 6,116,910 | 298,263 | 6,419,562 |

| | Lending and financing | Retail | Software Development | Total segments |
|---|---|---|---|---|
| **31 December 2018** | € | € | | € |
| **Revenue** | | | | |
| External customers | 53,666 | 5,042,541 | 281,898 | 5,378,105 |
| Inter-segment | 168,336 | - | 25,538 | 193,874 |
| | 222,002 | 5,042,541 | 307,436 | 5,571,979 |
| Inter-segment adjustments and eliminations | (168,336) | - | (25,538) | (193,874) |
| **Total revenue** | 53,666 | 5,042,541 | 281,898 | 5,378,105 |

**6.2 Contract balances**

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | € | € | € | € |
| Trade receivables (note 15) | 429,471 | 636,013 | 87,618 | 184,559 |

Trade receivables of the Company bear interest at 8% and are generally on terms of 6 to 36 months. As at year-end, there are no past due accounts.

The trade receivables of the Group are unsecured, bear interest at 8% and are generally on terms of 6 to 36 months.

Other income arise from legal fees, insurance claims and other administrative fees charged to customers.

**6.3 Performance obligations**

*Sale of goods*

The performance obligation is satisfied upon transfer of the risks and rewards of ownership which generally coincides with the date of the invoice. Payment is generally due within 6 to 36 months from date of invoice. Therefore, revenue is recorded upon release of the inventory and no contract asset needed to be recognized.

*Provision of services*

Revenue from the provision of services is recognized in the year in which the services are rendered, by reference to the completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

*Interest income from related parties*

The amount of interest is computed at 6% of the monthly outstanding balance. No performance obligation for interest income as these are excluded from scope of IFRS .

# 7. Expenses by nature

### 7.1 Cost of sales and operating expenses

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **€** | **€** | **€** | **€** |
| Depreciation | 167,061 | 63,428 | 3,750 | 3,750 |
| Auditors' remuneration | 5,100 | 4,035 | 1,850 | 1,200 |
| Directors' salaries (note 8) | 51,744 | 34,936 | - | - |
| Wages, salaries and social security contribution (note 8) | 791,448 | 811,530 | - | - |
| Other expenses | 5,470,030 | 4,538,417 | 88,430 | 25,597 |
| | 6,485,383 | 5,452,346 | 94,030 | 30,547 |

*Auditor's fees*

Fees charged by the auditor for services rendered during the financial years ended 31 December 2019 and 2018 relate to the following:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **€** | **€** | **€** | **€** |
| Annual statutory audit | 5,100 | 4,035 | 1,850 | 1,200 |
| Non audit services | 2,300 | 1,500 | 200 | 200 |

### 7.2 Finance cost

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **€** | **€** | **€** | **€** |
| Bank overdraft interest | 6,472 | 18,475 | - | - |
| Bank loan interest | 36,861 | 42,179 | 36,861 | 42,179 |
| Other interest | 124,405 | 111,651 | 112,041 | 111,650 |
| | 167,738 | 172,305 | 148,902 | 153,829 |

# 8. Staff costs and employee information

Staff costs for the year comprised the following:

| | The Group | |
|---|---|---|
| | **2019** | **2018** |
| | **€** | **€** |
| Directors' remuneration | 51,744 | 34,936 |
| Wages and salaries | 720,795 | 742,291 |
| Social security contributions | 70,653 | 69,239 |
| | 843,192 | 846,466 |

The average number of persons (including directors) employed by the company during the year was as follows:

| | The Group | |
|---|---|---|
| | **2019** | **2018** |
| Operational | 44 | 35 |
| Administration | 9 | 9 |
| | 53 | 44 |

# 9. Income tax

### 9.1 Tax credit on (loss) on ordinary activities

Provision for income tax has been made at the rate of 35% on the chargeable income for the year except for investment income which is charged at the rates of 15%.

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **€** | **€** | **€** | **€** |
| ***Income tax expense:*** | | | | |
| Current tax charge | - | - | - | - |
| Final withholding tax at 15% | - | (29) | - | - |
| **Total current tax expense** | - | (29) | - | - |
| **Deferred taxation (note 18):** | | | | |
| Credit for the year | 34,147 | 53,458 | - | - |
| Income tax credit for the year | 34,147 | 53,429 | - | - |

### 9.2 Tax reconciliation

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **€** | **€** | **€** | **€** |
| Profit/(loss) before tax | (161,295) | (120,079) | 5,291 | 73,021 |
| Taxation credit thereon | (56,453) | (42,028) | 1,852 | 25,557 |
| *Tax effect of:* | | | | |
| - excess of carrying amount of property, plant and equipment over tax base | 64,066 | 27,725 | - | - |
| - expenses non allowed for tax purposes | 27,364 | (3,173) | 18,602 | (3,365) |
| - income taxed at different rates | (3,470) | (108) | - | - |
| - unabsorbed capital allowances | (17,532) | (25,472) | (1,313) | - |
| - unabsorbed tax losses | (48,122) | (10,373) | (19,141) | (22,192) |
| Income tax credit | (34,147) | (53,429) | - | - |

### 9.3 Current taxation

Taxation recoverable is made up as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **€** | **€** | **€** | **€** |
| As at 1 January | (2) | (2) | - | - |
| Income tax expense | - | 29 | - | - |
| | (2) | 27 | - | - |
| Payments: | | | | |
| Final withholding tax | - | (29) | - | - |
| Income tax credit/(expense) for the year | - | (29) | - | - |
| As at 31 December | (2) | (2) | - | - |

# Klikk Finance p.l.c.

## Consolidated Notes to the financial statements
**for the year ended 31 December 2019**

| | The Group | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Improvements** | **Improvements - Zejtun** | **Lift Equipment** | **Air conditioners** | **Air conditioners (Zejtun)** | **Motor vehicles** | **Computer Equipment** | **Computer Software** | **Furniture & Fittings - Zejtun** | **Furniture & Fittings** | **Office Equipment** | **Total** |
| | € | € | € | € | € | € | € | € | € | € | € | € |
| **Cost** | | | | | | | | | | | | |
| As at 1 January 2018 | 120,523 | 135,718 | 7,433 | 4,136 | 8,548 | 39,045 | 48,138 | 57,061 | 40,434 | 131,102 | 38,797 | 630,935 |
| Additions | 6,438 | - | - | 7,881 | - | - | 12,562 | 33,165 | 4,090 | - | - | 64,136 |
| As at 31 December 2018 | 126,961 | 135,718 | 7,433 | 12,017 | 8,548 | 39,045 | 60,700 | 90,226 | 44,524 | 131,102 | 38,797 | 695,071 |
| As at 1 January 2019 | 126,961 | 135,718 | 7,433 | 12,017 | 8,548 | 39,045 | 60,700 | 90,226 | 44,524 | 131,102 | 38,797 | 695,071 |
| Additions | 50 | | | | | | 3,121 | | | | 529 | 3,700 |
| As at 31 December 2019 | 127,011 | 135,718 | 7,433 | 12,017 | 8,548 | 39,045 | 63,821 | 90,226 | 44,524 | 131,102 | 39,326 | 698,771 |
| **Depreciation** | | | | | | | | | | | | |
| As at 1 January 2018 | 42,325 | 54,193 | 3,716 | 4,060 | 5,700 | 25,038 | 45,378 | 32,847 | 16,139 | 90,473 | 25,580 | 345,449 |
| Charge for the year | 6,348 | 13,572 | 743 | 1,389 | 1,425 | 3,502 | 5,901 | 16,363 | 4,043 | 9,659 | 483 | 63,428 |
| As at 31 December 2018 | 48,673 | 67,765 | 4,459 | 5,449 | 7,125 | 28,540 | 51,279 | 49,210 | 20,182 | 100,132 | 26,063 | 408,877 |
| As at 1 January 2019 | 48,673 | 67,765 | 4,459 | 5,449 | 7,125 | 28,540 | 51,279 | 49,210 | 20,182 | 100,132 | 26,063 | 408,877 |
| Charge for the year | 6,351 | 13,572 | 743 | 1,314 | 1,423 | 3,502 | 11,992 | 8,291 | 4,043 | 8,162 | 132 | 59,525 |
| As at 31 December 2019 | 55,024 | 81,337 | 5,202 | 6,763 | 8,548 | 32,042 | 63,271 | 57,501 | 24,225 | 108,294 | 26,195 | 468,402 |
| **Net book amount** | | | | | | | | | | | | |
| As at 1 January 2019 | 78,288 | 67,953 | 2,974 | 6,568 | 1,423 | 10,505 | 9,421 | 41,016 | 24,342 | 30,970 | 12,734 | 286,194 |
| As at 31 December 2019 | 71,987 | 54,381 | 2,231 | 5,254 | - | 7,003 | 550 | 32,725 | 20,299 | 22,808 | 13,131 | 230,369 |

## 11. Intangible assets

**The Group**

| | Website development cost | Computer software | Goodwill | Total |
|---|---|---|---|---|
| | € | € | € | € |
| **Cost** | | | | |
| As at 1 January 2019 | 75,946 | 54,865 | 417,951 | 548,762 |
| Additions | - | 52,378 | - | 52,378 |
| As at 31 December 2019 | 75,946 | 107,243 | 417,951 | 601,140 |
| **Amortisation** | | | | |
| As at 1 January 2018 | 75,946 | - | - | 75,946 |
| Charge for the the year | - | - | - | - |
| As at 1 January 2019 | 75,946 | - | - | 75,946 |
| Charge for the the year | - | - | - | - |
| As at 31 December 2019 | 75,946 | - | - | 75,946 |
| **Net book amount** | | | | |
| As at 31 December 2018 | - | 54,865 | 417,951 | 472,816 |
| As at 31 December 2019 | - | 107,243 | 417,951 | 525,194 |

Website development cost has been written off in equal annual instalments over its estimated economic life of 4 years.

Amortisation of computer software will be charged upon completion of software since the software is not yet completely developed.

Goodwill was acquired as a result of a business combination. This is considered to be of an indefinite life.

## Consolidated Notes to the Financial Statements
**for the year ended 31 December 2019**

## 12. Financial assets and liabilities

### 12.1 Financial assets: Trade and other receivables

| | 2019 | 2018 |
|---|---|---|
| | € | € |
| **Debt instruments at amortised cost** | | |
| Trade and other receivables (note 15) | 1,816,844 | 1,652,303 |
| Total current | 1,323,826 | 1,289,720 |
| Total non-current | 520,431 | 373,620 |

Refer to note 15 for more information on expected credit losses.

### 12.2 Financial liabilities: Loans and borrowings

**Current loans and borrowings**

| | Interest rate | Maturity | The Group 2019 | 2018 |
|---|---|---|---|---|
| | € | € | € | € |
| **Current** | | | | |
| Bank overdraft (note 21) | 5.15% | On demand | 143,302 | 256,374 |
| Bank loans | 5.15% | 2020 | 161,943 | 152,766 |
| **Total current borrowings** | | | 305,245 | 409,140 |
| **Non-current** | | | | |
| Bank loans | 5.15% | 2020 - 2026 | 468,127 | 629,509 |
| Bonds | 5.25% | 2027 | 1,930,971 | 1,923,930 |
| **Total non-current borrowings** | | | 2,399,098 | 2,553,439 |
| **Total borrowings** | | | 2,704,343 | 2,962,579 |

The bank overdrafts bear interest rate of 5.15% (2018: 5.15%) per annum and is repayable on demand. The Group enjoys an overdraft facility amounting to €450,000 out of which €143,302 has been utilised. These facilities are secured by general hypothec over the Group's assets, general and special hypothecary guarantee over property owned by the related companies, pledges in insurance policies in the name of the related companies.

The bank loans bear interest of 5.15% per annum and are secured by a general hypothec over the Company's assets, special hypothec over the affiliate's assets, guarantees given by the parent and group companies and by pledge over the affiliate's insurance policies in the name of the Company covering properties.

The bank loans are repayable as follows:
- €383,253 within 8 years by monthly payments of €6,383 each inclusive of interest;
- €399,946 within 5 years by monthly payments of €9,486 each inclusive of interest.

The bonds with a face value of €2,000,000 and a nominal rate of 5.25% per annum are unsecured and redeemable at par value of €100 per bond on 31 July 2027. These bonds are measured at the amount of the net proceeds adjusted for the amortisation of the difference between the net proceeds and the redemption value of the bonds, using effective yield method as follows:

| | The Group | |
|---|---|---|
| | **2019** | **2018** |
| | **€** | **€** |
| **Non-current** | | |
| 20,000 Unsecured Bonds2027 | 1,930,971 | 1,923,930 |
| Bonds outstanding (face value) | 2,000,000 | 2,000,000 |
| Gross amount of bond issue costs | (85,371) | (85,371) |
| <u>Amortisation of gross amount of bond issue costs:</u> | | |
| Amortised bond issue costs brought forward | 9,301 | 2,657 |
| Amortisation charge for the year | 7,041 | 6,644 |
| Unamortised bond issue costs | (69,029) | (76,070) |
| Amortised cost and closing carrying amount | 1,930,971 | 1,923,930 |

**Other financial liabilities**

| | The Group | |
|---|---|---|
| | **2019** | **2018** |
| | **€** | **€** |
| Current trade and other payables (note 16) | 1,665,161 | 1,207,794 |

**12.3 Financial risk management objectives and policies**

The Group's principal financial assets comprise interest in joint ventures, other financial assets, trade and other receivables and cash and cash equivalents. Its principal financial liabilities comprise trade and other payables and borrowings.

The Group is exposed to market risk, credit risk, liquidity risk and fair value risk.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

*Market risk*

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk. Financial instruments affected by market risk include borrowings. The Group is only exposed to interest rate risk other market price risk.

Financial instruments affected by market risk include borrowings. The Group is only exposed to interest rate risk other market price risk.

*Interest rate risk*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Except as disclosed in note 16, the Group's borrowings are non-interest bearing. Borrowings issued at fixed rates consist primarily of bank loans, 5% secured bonds, shareholders' loan and other loans which are carried at amortised cost, and therefore do not expose the Group to cash flow and fair value interest rate risk.

*Credit risk*

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities including deposits with banks.

Customer credit risk is managed by the Group's management subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on each ustomer's credit limits. Outstanding customer receivables are regularly monitored. An impairment analysis is performed at the reporting date on an individual basis. The Group exercises a prudent credit control policy, and accordingly, it is not subject to any significant exposure or concentration of credit risk.

The Group banks only with local financial institutions with high quality standard or rating. The Group's operations are principally carried out in Malta and most of the Group's revenue originates from clients based in Malta.
Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

**Year ended 31 December 2019**

| | Trade receivables | | Amounts owed by related undertakings | Loans and advances at amortised cost | Total |
|---|---|---|---|---|---|
| **Approach in measuring ECLs** | **Simplified approach** | **General approach** | **General approach** | **General approach** | |
| Probability of default | 0.02% | 0.09%-6.88% | 0.0227% | 0.0227% | |
| Loss given default | N/A | 0.75 | 0.75 | 0.75 | |
| Estimated gross carrying amount | 87,618 | 862,961 | 1,368,145 | 2,297,459 | |
| **Allowance for ECL** | 3,649 | 42,000 | 19,228 | 39,068 | 103,945 |
| Less intercompany ECL | | | | | (50,360) |
| **Total ECL** | | | | | **53,585** |

**Year ended 31 December 2018**

| | Trade receivables | | | |
|---|---|---|---|---|
| | **Specific** | **Corporate** | **Contracts** | **Total** |
| | **€** | **€** | **€** | **€** |
| Expected credit loss rate | 40% | 3% | 2% | |
| Estimated total gross carrying amount at default | 17,616 | 313,211 | 669,133 | 999,960 |
| Expected credit loss | 7,046 | 9,396 | 13,383 | **29,825** |

*Liquidity risk*

The Group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities. Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Group's obligations.
The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

**Year ended 31 December 2019**

| | Less than 1 year | 1 to 5 years | > 5 years | Total |
|---|---|---|---|---|
| | € | € | € | € |
| Interest-bearing loans and borrowings | 305,244 | 390,096 | 78,021 | 773,361 |
| Trade and other payables | 1,665,172 | - | - | 1,665,172 |
| Bonds | - | - | 1,930,971 | 1,930,971 |
| Lease Liabilities | - | 211,041 | - | 211,041 |
| | 1,970,416 | 601,137 | 2,008,992 | 4,580,545 |

**Year ended 31 December 2018**

| | Less than 1 year | 1 to 5 years | > 5 years | Total |
|---|---|---|---|---|
| | € | € | € | € |
| Interest-bearing loans and borrowings | 409,140 | 569,708 | 59,801 | 1,038,649 |
| Trade and other payables | 1,207,794 | - | - | 1,207,794 |
| Bonds | - | - | 1,923,930 | 1,923,930 |
| | 1,616,934 | 569,708 | 1,983,731 | 4,170,373 |

*Fair value risk*

As at 31 December 2019 and 2018, the carrying amounts of trade and other receivables, cash and cash equivalents and trade and other payables and current borrowings reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation. The fair values of loans and receivables and non-current borrowings are not materially different from their carrying amounts in the statement of financial position.

*Capital management*

Capital includes the equity attributable to the ultimate shareholders of the Group.

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, return capital to the shareholders or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019.

**12.4 Changes in liabilities arising from financing activities**

| | 1 January 2019 | Cash flows | Non-cash changes | 31 December 2019 |
|---|---|---|---|---|
| | € | € | € | € |
| Bank loans | 782,275 | (289,007) | - | 493,268 |
| Bonds | 1,923,930 | - | 7,041 | 1,930,971 |
| **Total liabilities from financing activities** | 2,706,205 | (289,007) | 7,041 | 2,424,239 |

## 13. Investment in subsidiary

| | The Company 2019 | 2018 |
|---|---|---|
| | € | € |
| **Cost** | | |
| As at 1 January and 31 December 2019 | 510,000 | 510,000 |

| **Undertaking / Registered Office** | **Number, class and nominal value of shares held** | **Percentage of issued shares held** |
|---|---|---|
| Klikk Limited | 144,323 Ordinary A at €2.4/share (par value: €2.5/share), fully paid up | |
| Design House, Dun Karm Street, | | 100% |
| Birkirkara By-pass,<br>Birkirkara BKR 04 | 146,877 Ordinary B at €2.4/share (par value: €2.5/share), fully paid up | |

The company acts as an importer, exporter, wholesaler, retailer, purchaser, seller, dealer, distributor, agent and supplier of computer equipment, peripherals, software and other related products.

## 14. Inventories

| | The Group 2019 | 2018 |
|---|---|---|
| | € | € |
| Finished goods | 1,229,408 | 1,031,723 |

## 15. Trade receivables

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **€** | **€** | **€** | **€** |
| **Current** | | | | |
| Trade receivables | 429,471 | 636,013 | 87,618 | 184,559 |
| Amounts paid in advance | 100,572 | 72,459 | (3,649) | - |
| Amount owed by related companies | 19,860 | 22,800 | 600,097 | - |
| Shareholders' advances | 225,375 | 225,273 | 225,375 | 225,375 |
| Indirect taxation | 5,481 | 5,147 | 5,481 | 5,147 |
| Accrued income and prepayments | 567,918 | 344,726 | 19,131 | 20,518 |
| Allowance for expected credit losses | (26,196) | (18,788) | (10,205) | (3,772) |
| **Total current trade and other receivables** | 1,323,826 | 1,289,720 | 923,848 | 431,827 |
| **Non-current** | | | | |
| Trade receivables | 520,431 | 373,620 | - | - |
| Allowance for expected credit losses | (27,413) | (11,037) | - | - |
| **Total non-current trade receivables** | 493,018 | 362,583 | - | - |
| **Total trade and other receivables** | 1,816,844 | 1,652,303 | 923,848 | 431,827 |

Trade receivables of the Company bear interest at 8% and are generally on terms of 6 to 36 months. As at year-end, there are no past due accounts.

The trade receivables of the Group are unsecured, bear interest at 8% and are generally on terms of 6 to 36 months.

The amounts owed by related companies are unsecured, bear interest of 6%, and repayable in line with the loan schedule. These amounts resulted from trading activities.

See note 3 on credit risk of trade receivables, which explains how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

**The Group**

As at 31 December 2019, trade receivables at nominal value of €53,585 (2018: €29,825) were impaired and fully provided for. Movement in the allowance for expected credit losses of trade receivables were as follows:

| | The Group | |
|---|---|---|
| | **2019** | **2018** |
| | **€** | **€** |
| As at 1 January | 29,825 | 34,664 |
| Expected credit loss movement during the year | | |
| Provision during the year | 24,499 | 5,802 |
| Reversal of expected credit loss | (739) | (10,641) |
| Movement during the year | 23,760 | (4,839) |
| As at 31 December | 53,585 | 29,825 |

At 31 December 2019, there was an expected credit loss of €24,499 (2018: €5,802) related to outstanding receivables which are deemed by the Directors not to be recoverable.

## 16. Trade and other payables

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **€** | **€** | **€** | **€** |
| **Current** | | | | |
| Amounts received in advance | 101,752 | 1,234 | - | - |
| Trade payables | 640,612 | 487,946 | 36,860 | 4,003 |
| Amounts due to related undertakings | 254,294 | 331,062 | 63,100 | 64,639 |
| Indirect taxes and social security contributions | 538,049 | 271,347 | 226 | 582 |
| Accrual and prepaid income | 89,394 | 69,680 | 51,290 | 50,613 |
| Other payables | - | 620 | - | - |
| Deferred income | 41,060 | 45,905 | 1,005 | 8,964 |
| **Total trade and other payables** | 1,665,161 | 1,207,794 | 152,481 | 128,801 |

Trade payables are non-interest bearing and are normally settled between 120 to 180 days. Other payables are non-interest bearing.

The Group's exposure to liquidity risk related to trade and other payables is disclosed in note 3.

## 17. Leases

*17.1 The Group as a lessee*

The Group has lease contracts for its office situated in Birkirkara and operating stores in Birkirkara and Zejtun. The Group's obligations under its leases are secured by the lessor's title to the leased assets.

Generally, the Group is restricted from the following:
a. Assigning and subleasing the leased assets (except when otherwise agreed with the lessor in special terms)
b. Effecting major structural or layout alterations on the leased premises
c. To use the leased premises as collateral or pledge to any agreement with banks or third parties.

The lease contract includes in-substance fixed payments. The Group has no lease contract containing variable lease payments, residual value guarantees and sales and leaseback transactions. Further, the lease contracts do not contain enforceable extension or termination options.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

| | Office located in Birkirkara | Stores Birkirkara | located in Zejtun | Total |
|---|---|---|---|---|
| As at 1 January 2019 | 13,313 | 95,039 | 202,846 | 311,198 |
| Amortisation of Right-of-Use | (7,607) | (60,025) | (39,904) | (107,536) |
| 2019 | 5,706 | 35,014 | 162,942 | 203,662 |

Since the Group adopted the modified retrospective approach in applying IFRS 16, no information about right-of-use assets related to the comparative year is presented.
Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **€** | **€** | **€** | **€** |
| As at 1 January | 311,198 | - | 311,198 | - |
| Accretion of interest | 12,363 | - | 12,363 | - |
| Rent paid | (112,520) | - | (112,520) | - |
| As at 31 December | 211,041 | - | 211,041 | - |
| Current | 79,310 | | | |
| Non-current | 131,731 | | | |

The maturity analysis of lease liabilities are disclosed in note 4.

The following are the amounts reconised in profit or loss:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **€** | **€** | **€** | **€** |
| Amortisation of Right-of-Use assets | 107,536 | - | 107,536 | - |
| Interest expense on lease liabilities | 12,363 | - | 12,363 | - |
| Total amount recognised in income statement | 119,899 | - | 119,899 | - |

As at 31 December 2019, the Company has no commitment to short term leases nor any leases which had not yet commenced.

## 18. Deferred taxation

**Deferred tax asset**

| | The Group | |
|---|---|---|
| | **2019** | **2018** |
| | **€** | **€** |
| As at 1 January | 302,965 | 249,507 |
| Charge in profit or loss (note 9) | 34,147 | 53,458 |
| As at 31 December | 337,112 | 302,965 |

The balance as at 31 December 2019 represents:

| | The Group | |
|---|---|---|
| | **2019** | **2018** |
| | **€** | **€** |
| Tax effect of temporary differences relating to: | | |
| Excess of capital allowances over depreciation | (24,408) | (26,100) |
| Unabsorbed capital allowances | 115,479 | 99,259 |
| Unrelieved tax losses | 231,294 | 220,652 |
| Provision for estimated credit losses | 14,747 | 9,154 |
| | 337,112 | 302,965 |

Deferred income taxes are calculated on all temporary differences under the liability method and are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on tax rates (and tax laws) that have been enacted by the end of the reporting period. The principal tax used is 35% (2018: 35%) .

## 19. Share Capital

**19.1 Issued capital**

| | The Company | |
|---|---|---|
| | **2019** | **2018** |
| | **€** | **€** |
| **Authorised:** | | |
| 500,000 Ordinary shares of €1 each | 500,000 | 500,000 |
| **Issued and fully paid up:** | | |
| 350,000 Ordinary shares of €1 each | 350,000 | 350,000 |

**19.2 Additional contributed capital**

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | € | € | € | € |
| As at 1 January | 848,735 | 848,735 | 649,368 | 649,368 |
| As at 31 December | 848,735 | 848,735 | 649,368 | 649,368 |

This equity reserve is attributable to the equity holders of the parent. The primary objective is to maximise the shareholders' value.

## 20. Earnings per share (EPS)

Basic earnings per share is based on the profit for the year attributable to the equity holders of the Parent divided by the weighted average number of ordinary shares in issue during the year.

| | The Group | |
|---|---|---|
| | 2019 | 2018 |
| | € | € |
| Loss for the year attributable to shareholders | (127,148) | (66,650) |
| Weighted average number of ordinary shares in issue (note 19) | 350,000 | 350,000 |
| Earnings per share (cents) | | |
| - Continuing operations | (0.36) | (0.19) |

There is no difference between the basic and diluted earnings per share as the Group and the Company have no potential dilutive ordinary shares.

## 21. Cash and short-term deposits

The cash and cash equivalents comprise the following statement of financial position amount:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | € | € | € | € |
| Cash at bank and in hand | 754,700 | 1,068,264 | 80,180 | 565,471 |
| Overdrawn bank current accounts | (143,302) | (256,374) | (23,730) | - |
| As at 31 December | 611,398 | 811,890 | 56,450 | 565,471 |

## 22. Commitments and contingencies

*Guarantees*

As at the reporting date, the Group thad given guaranees to third parties in the normal course of the business amounting to € 10,000 (2018: €7,000).

## 23. Related party transactions

*Group information*
The Group comprises the Company, its subsidiary Klikk Limited which owns 100% of its ordinary shares and second-tier subsidiary Klikk Code Limited, which also owns 100% of ordinary shares.

All companies forming part of the Group are related parties. The following significant transactions were carried out with related parties:

| | 2019 | 2018 |
|---|---|---|
| | € | € |
| Interest income | 189,587 | 185,242 |
| Related party purchases | - | - |

**Terms and conditions of transactions with related parties**
The sales to and purchases from related parties are made on terms equivalent to those that prevail in an arm's length transactions. Outstanding balances as at year-end bear interest at 6% as per loan agreement and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2019, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2018: €Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Key management personnel compensation, consisting of directors' remuneration, has been disclosed in note 8.

## 24. Event after the end of the reporting period

The Coronavirus (COVID-19) pandemic is affecting business on a national and worldwide level. The Group is closely monitoring the possible impact on its operations and financial performance and is committed to take all necessary steps to mitigate any impact. The Group is assessing the situation on an on-going basis, in order to enable executive management to take the necessary decisions in the interest of all stakeholders. In view of the unprecedented circumstances it is too early to quantify the effects on the Group's operations and performance. However as at the date of this report, Klikk Limited was positively impacted by the pandemic and its sales have been on an upward trend. In fact, during March 2020, Klikk Limited registered a substantial increase in sales due to higher demand of laptops and electronic equipment.

## 25. Ultimate Controlling party

Klikk Finance p.l.c., the parent company, is a public limited company and is incorporated in Malta.

The ultimate controlling parties of the company are Ms. Mary Vella, who has 11.97% ownership of the issued share capital, and Mr. Joseph Vella, Mr. Paul Vella, Ms. Miriam Schembri, Mr. Mark Vella,
Mr. Martin Vella, Mr. Simon Vella and Ms. Veronica Ciappara, who each own 13% of the issued share capital.

## 26. Comparative amounts

Certain comparative amounts have been reclassified to conform with the current year's presentation.