

Klikk Finance p.l.c.

Annual Report and Consolidated Financial Statements for the year ended 31 December 2020

Contents	Page
Directors' Report	1 - 3
Corporate Governance - Statement of Compliance	4 - 10
Independent Auditor's Report	11 - 16
Consolidated Statement of Comprehensive Income	17
Consolidated Statement of Financial Position	18
Consolidated Statement of Changes in Equity	19 - 20
Consolidated Statement of Cash Flows	21
Notes to the Consolidated Financial Statements	22 - 55

Klikk Finance p.l.c.

Directors' Report for the year ended 31 December 2020

The Directors present their annual report and audited financial statements of Klikk Finance p.l.c. (the "Company") and the Group for the year ended 31 December 2020. The Company, its subsidiary Klikk Limited and the second-tier subsidiary Klikk Code Limited constitute the Group.

Principal activities

The Company was incorporated as a private limited liability company on 12 May 2011 as HMRD Limited and on 02 January 2016 resolved to change its name to BOE Finance Limited. Subsequently on 14 June 2017, the Company resolved to convert 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

2020 has been a challenging year. At a global level, the COVID-19 pandemic has disrupted business, but has also fundamentally altered the way, as well as the place from which business is conducted. Although the pandemic has impacted our customers, our people and disrupted the way our business was conducted, our priority was, and remains, to keep our people and the customers we serve safe.

Various measures were introduced by Government during the year, in an effort to curb the COVID-19 pandemic, including closure of stores during the second quarter of the year, working from home, social distancing and schools providing lessons online rather than in-classroom. The result of some of these measures has positively impacted the Group, since more customers purchased IT equipment to be able to work from home or have virtual lessons at home. In fact, revenue increased from €6.4 million during FY2019 to €8.3 million in FY2020, an increase of 29%. Klikk Code Limited continued developing its existing suite of products whilst growing the number and spread of customers. Klikk Code Limited positioned itself to better meet the future demands of the market.

As orders shifted online, there was an improvement to the Group's online proposition, and provided customers with various delivery options in order to meet their needs. Our agility and omnichannel strengths have made it even more convenient for customers to select, purchase and pay for products in any way they choose.

Despite the increase in revenue, the introduction of the COVID-19 measures, came with its own challenges. Stores were closed for short periods in the second quarter of the year and a number of staff had to quarantine from time to time. This was further hindered by the Brexit transition period, which disrupted supply chains, marking with a degree of uncertainty.

Whilst our staff has responded extremely well to these challenges and ensured that the business remained well positioned not only during this difficult time, but also for the future, this has impacted profit margins. In fact, gross profit margin decreased from 15.3% in FY2019 to 14.5% in FY2020. Although administrative expenses increased in absolute terms from €974k in FY2019 to €1,070k in FY2020 principally due to the increase in payroll costs (FY2020: €929k; FY2019: €858k), Earnings Before Interest and Tax (EBIT), improved from a loss of €21,971 to a profit of €104,092 in FY2020 driven by rationalisation and restructuring.

Klikk Finance p.l.c.

Directors' Report for the year ended 31 December 2020

Future outlook

The global pandemic has fundamentally changed how many of us live and work. COVID-19 has been a global health crisis with a long-term wide ranging economic impact. The Directors continue to monitor the situation constantly so as to mitigate the impact brought about by the pandemic. This continuous assessment has provided the opportunity to drive further the Group's omnichannel strategy and proposition, with an objective to improve on the results achieved in 2020 for a sustainable profitable future performance.

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 from its subsidiaries. The ability of these subsidiary 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 Group companies. 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 17.

The Board of Directors does not propose the payment of a dividend. Accumulated losses carried forward at the reporting date amounted to €693,950 (2019: €681,989) for the Group and retained earnings of €59,392 (2019: €39,539) for the Company.

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

Klikk Finance p.l.c.

Directors' Report

for the year ended 31 December 2020

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. 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.

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 2020, 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.

These financial statements were approved for issue by the board and signed on its behalf on 6 April 2021 by:



Mr. Gordon Zammit - Chairman



Mr. Martin Vella - Director and
CEO

Registered Office

Hal Mann, The Factory,
Mosta Road,
Lija LJA 9016

6 April 2021

Klikk Finance p.l.c.

Corporate Governance - Statement of Compliance for the year ended 31 December 2020

Introduction

The Prospects MTF Rules issued by the Malta Stock Exchange (the "Rules") require 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.

Corporate Governance - Statement of Compliance for the year ended 31 December 2020

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") 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 2020

As at 31 December 2020, 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.

Klikk Finance p.l.c.

Corporate Governance - Statement of Compliance for the year ended 31 December 2020

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 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 five (5) times during the financial year under review and the attendance of each of the members is as follows:

- Mr. William Van Buren - Independent (Chairman) - five (5)
- Mr. Martin Vella - Non-independent - five (5)
- Dr. Michael Borg Costanzi - Independent - five (5)

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.

Corporate Governance - Statement of Compliance for the year ended 31 December 2020

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 five (5) times during the financial year under review. The following Directors attended Board meetings as follows:

Mr. Gordon Zammit - Chairman - five (5) meetings
Mr. Martin Vella - Director and CEO - five (5) meeting
Mr. William Van Buren - Non-executive Director - five (5) meetings
Dr. Michael Borg Costanzi - Non-executive Director - five (5) 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.

In view of the size and type of operation of the Company, the Board does not consider the Company to require the setting up of 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 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.

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.

Corporate Governance - Statement of Compliance for the year ended 31 December 2020

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	€66,973
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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 announcements in line with its continuing obligations in terms of the Rules.

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.

Corporate Governance - Statement of Compliance for the year ended 31 December 2020

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 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.

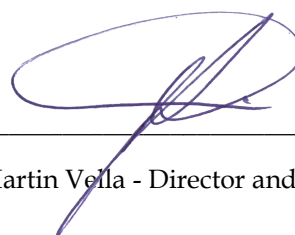
Principle Ten: Institutional Shareholders

The Company does not have any institutional shareholders.

Approved by the Board on 6 April 2021 and signed on its behalf by:



Mr. Gordon Zammit - Chairman



Mr. Martin Vella - Director and CEO

Independent Auditor's Report

Report on the Financial Statements for the year ended 31 December 2020

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 17 to 55, which comprise the statement of financial position as at 31 December 2020, 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 2020, 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 were 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. IFRS 16 Leases

Risk description

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, this standard results in significant adjustments to the financial statements for the year ending 31 December 2020, whereby Klikk Finance p.l.c. recognised additional liabilities of €871,066 (2019: €211,041) and Right-of-Use of €849,042 (2019: €203,662). 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 IFRS 16 on leases for the financial year ended 31 December 2020, 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 2020 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.

2. Impact of the Corona Virus during the year

Risk description

During 2020 the Group has experienced a most challenging year. The COVID-19 pandemic has impacted their customers and their people, with disruptions of the business. The management's priority was to keep their employees and the customers safe. Additionally, the Brexit transition period, which disrupted supply chains, was marked with a degree of uncertainty. The employees responded extremely well to these challenges and the Group ensures that the business remains well positioned not only during this difficult time but also for the future.

During the year the Group's operations was impacted with closure of stores for short period during the second quarter of the year, and with employees having to quarantine from time to time. The Group has increased and improved their online proposition and delivery options. Their agility and omnichannel strengths has made it even more convenient for customers to select, purchase and pay for products in any way they choose to shop.

In view of the above, the Auditor's Report is not impacted.

Independent Auditor's Report

Other Information

The Directors are responsible for the other information. The other information comprises (i) the Directors' Report, (ii) the Statement of Directors' Responsibilities, (iii) the Directors' Statement of Compliance with the Code of Principles of Good Corporate Governance, (iv) Remuneration Statement and (v) Other Disclosures in terms of the Listing Rules, which we obtained prior to the date of this auditor's report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, including the Directors' report.

In connection with our audit of the financial statements, our responsibility is to read the other information 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 2020 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 Company and the Group and their environment, obtained in the course of the audit, we are required to report if we have identified material misstatements in the Directors' Report and other information that we obtained prior to the date of this auditor's report.

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.

Independent Auditor's Report

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.

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. In particular, it is difficult to evaluate all of the potential implications that COVID-19 will have on the Group's and the Parent Company's trade, customers and suppliers and the disruption to their business and the overall economy.
- 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.

Independent Auditor's Report

- 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.

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 5 to 11 has been properly prepared in accordance with the requirements of the Prospects Rules issued by the Malta Stock Exchange.

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.

The partner in charge of the audit resulting in this independent auditor's report is Jozef Wallace Galea for an on behalf of:

Jozef Wallace Galea (Partner)

HLB CA Falzon

Registered Auditors

Central Office Buildings

Block A, Level 1

Mosta Road

Lija LJA 9016

Malta

6 April 2021

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Together we make it happen

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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 2020

	Note	The Group		The Company	
		2020 €	2019 €	2020 €	2019 €
Revenue	6	8,311,875	6,419,562	195,151	193,976
Cost of sales	7	(7,104,863)	(5,432,590)	-	-
Gross profit		<u>1,207,012</u>	<u>986,972</u>	<u>195,151</u>	<u>193,976</u>
Selling and distribution expenses	7	(83,187)	(73,912)	-	-
Administrative expenses	7	(1,070,435)	(974,597)	(59,558)	(94,030)
Other operating expenses	7	(8)	(4,284)	-	-
Other operating income	6	50,710	43,850	32,326	54,247
		<u>104,092</u>	<u>(21,971)</u>	<u>167,919</u>	<u>154,193</u>
Interest income	6	14,515	28,414	-	-
Finance costs	7	(157,048)	(167,738)	(130,948)	(148,902)
(Loss)/profit before tax		<u>(38,441)</u>	<u>(161,295)</u>	<u>36,971</u>	<u>5,291</u>
Income tax credit/(expense)	9	26,480	34,147	(17,118)	-
(Loss)/profit for the year		<u>(11,961)</u>	<u>(127,148)</u>	<u>19,853</u>	<u>5,291</u>
Attributable to:					
Equity holders of the parent		<u>(11,961)</u>	<u>(127,148)</u>		
Loss per share (cents)					
Basic, loss for the year attributable to ordinary equity holders of the parent	20	<u>(0.03)</u>	<u>(0.36)</u>		

The notes on pages 22 to 55 form part of these financial statements.

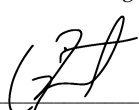
Klikk Finance p.l.c.

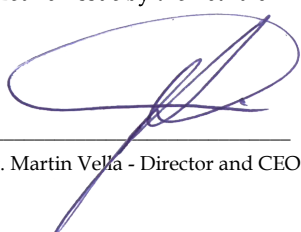
Consolidated Statement of Financial Position as at 31 December 2020

	Note	The Group		The Company	
		2020	2019	2020	2019
		€	€	€	€
ASSETS					
Property, plant & equipment	10	176,655	230,369	-	3,750
Right of Use assets	17	849,042	203,662	-	-
Intangible assets	11	532,550	525,194	-	-
Investment in subsidiaries	13	-	-	510,000	510,000
Other non-current financial assets		-	-	2,078,554	2,258,381
Trade receivables	15	260,982	493,018	-	-
Deferred tax assets	18	364,642	337,112	-	-
Total non-current assets		2,183,871	1,789,355	2,588,554	2,772,131
Current assets					
Inventories	14	1,181,691	1,229,408	-	-
Trade and other receivables	15	1,325,890	1,323,826	967,096	923,848
Current tax recoverable	9	-	2	-	-
Cash and short-term deposits	21	609,749	754,700	22,791	80,180
Total current assets		3,117,330	3,307,936	989,887	1,004,028
	-	5,301,201	5,097,291	3,578,441	3,776,159
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		(693,950)	(681,989)	59,392	39,539
Equity attributable to equity holders of the parent		504,785	516,746	1,058,760	1,038,907
Total equity		504,785	516,746	1,058,760	1,038,907
Non-current liabilities					
Loans and borrowings	12	2,278,780	2,399,098	2,278,780	2,399,098
Lease liability	17	786,029	131,731	-	-
Total non-current liabilities		3,064,809	2,530,829	2,278,780	2,399,098
Current liabilities					
Loans and borrowings	12	117,199	305,245	115,765	185,673
Lease liability	17	85,037	79,310	-	-
Trade and other payables	16	1,528,323	1,665,161	124,086	152,481
Current taxation due	9	1,048	-	1,050	-
Total current liabilities		1,731,607	2,049,716	240,901	338,154
Total liabilities		4,796,416	4,580,545	2,519,681	2,737,252
Total equity and liabilities		5,301,201	5,097,291	3,578,441	3,776,159

The notes on pages 22 to 55 form part of these financial statements.

The financial statements set out on pages 17 to 55 were approved and authorized for issue by the Board of Directors on 6 April 2021 and signed on its behalf by:


Mr. Gordon Zammit - Chairman


Mr. Martin Vella - Director and CEO

Klikk Finance p.l.c.

Consolidated Statements of Changes in Equity for the year ended 31 December 2020

	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	Total Equity
	€	€	€	€	€
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
Balance as at 1 January 2020					
Opening balance	350,000	(681,989)	848,735	516,746	516,746
Loss for the year	-	(11,961)	-	(11,961)	(11,961)
Total comprehensive income for the year	-	(11,961)	-	(11,961)	(11,961)
Balance as at 31 December 2020	350,000	(693,950)	848,735	504,785	504,785

The notes on pages 22 to 55 form part of these financial statements.

Klikk Finance p.l.c.

Consolidated Statements of Changes in Equity

for the year ended 31 December 2020

	The Company			
	Issued capital	Additional contributed capital	Accumulated losses	Total equity
	€	€	€	€
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
Balance as at 1 January 2020				
Opening balance	350,000	649,368	39,539	1,038,907
Profit for the year	-	-	19,853	19,853
Total comprehensive income for the year	-	-	19,853	19,853
Balance as at 31 December 2020	350,000	649,368	59,392	1,058,760

The notes on pages 22 to 55 form part of these financial statements.

Consolidated Statement of Cash Flows
for the year ended 31 December 2020

Note	The Group		The Company	
	2020 €	2019 €	2020 €	2019 €
Cash flows from operating activities				
(Loss)/profit before tax	(38,441)	(161,295)	36,971	5,291
Adjustments for:				
Depreciation of property, plant and equipment	97,765	59,525	3,750	3,750
Depreciation of right of use assets	112,189	107,536	-	-
Allowance for impairment of receivables	(15,811)	24,499	-	-
Finance income	(14,515)	(28,414)	-	-
Finance costs	157,048	167,738	130,948	148,902
Working capital changes:				
Changes in inventories	47,717	(197,685)	-	-
Changes in receivables	321,399	(112,781)	35,159	97,983
Changes in payables	(19,329)	520,121	(28,395)	25,219
(Payments to)/advances from related companies	(48,198)	2,942	-	-
Interest paid on overdraft	(3,702)	(6,472)	-	-
Interest received	15,122	29,111	-	-
Net cash from operating activities	611,244	404,825	178,433	281,145
Cash flows from investing activities				
Payments to acquire property, plant and equipment	(5,852)	(3,700)	-	-
Payments to acquire intangible assets	(45,556)	(52,378)	-	-
Advances from group undertaking	-	-	179,837	98,970
Net cash (used in)/from investing activities	(51,408)	(56,078)	179,837	98,970
Cash flows from financing activities				
Repayment of banks loans	(293,862)	(289,007)	(175,724)	(153,129)
Payments to associated undertakings	(25,478)	-	-	-
Payments to receipts from other undertakings	(13,647)	-	-	-
Interest paid on loans	(25,948)	(64,341)	(25,948)	(36,861)
Interest paid on bonds	(105,000)	(105,000)	(105,000)	(105,000)
Advances from/(Payments) to related undertaking	18,770	20,807	(55,308)	(594,146)
Repayment of finance lease	(119,941)	(112,520)	-	-
Payments to shareholders	-	(102)	-	-
Net cash used in financing activities	(565,106)	(550,163)	(361,980)	(889,136)
Net movement in cash and cash equivalents	(5,270)	(201,416)	(3,710)	(509,021)
Cash and cash equivalents at beginning of year	611,398	812,814	56,450	565,471
Cash and cash equivalents at end of year	606,128	611,398	52,740	56,450

The notes on pages 22 to 55 form part of these financial statements.

Klikk Finance p.l.c.

Consolidated Notes to the Financial Statements for the year ended 31 December 2020

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 2020 were authorized for issue in accordance with a resolution of the directors on 6 April 2021.

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.

Klikk Finance p.l.c. (C 52833) is a limited liability company listed on the Malta Stock Exchange and is incorporated in Malta. The company is a holding company of Klikk Limited, which is mainly involved in the provision of sale, maintenance and installation of computer software, hardware and related ancillary products through the operation of its retail outlet in Birkirkara and Zejtun. Its registered office is at Hal Mann, The Factory, Mosta Road, Lija, LJA 9016, Malta.

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 2020. 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.

Good will 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.

Consolidated Notes to the Financial Statements for the year ended 31 December 2020

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.

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

The COVID-19 pandemic has disrupted business on a global level. The measures taken by Malta over the past year in an effort to curb the COVID-19 pandemic, including closure of stores during the second quarter of the year, working from home, social distancing and schools providing lessons online rather than in-classroom, has had an impact on the distribution channels of the Company. Whilst the introduction of such measures has resulted in an increase in revenue, as more customers purchased laptops and computer equipment to be able to work from home or have virtual lessons at home, this was compensated with a decrease in gross profit margins. Despite this, Earnings Before Interest and Tax (EBIT), improved from a loss of €21,971 to a profit of €127,236 in FY2020 driven by rationalisation and restructuring.

Nevertheless, the impact of current economic uncertainties on individuals and businesses is expected to have a long-lasting effect on business in general and this may negatively impact the Group's future performance, which impact is difficult to assess.

Having concluded this assessment the Directors expect that the Group will be able to sustain its operations over the next twelve months and in the foreseeable future and consider the going concern assumption in the preparation of the Group's financial statements as appropriate as at the date of authorisation for issue of these financial statements.

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.

Consolidated Notes to the Financial Statements for the year ended 31 December 2020

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 liabilities assumed and reviews the procedures used to measure the amounts at the acquisition date. If the reassessment 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 recognised as a reduction of the cost of investment.

Provisions are recorded where, in the opinion of the directors, there is an impairment in value. Where there has been an impairment in the value of an investment, it is recognised as an expense in the period in which the diminution is identified. The Company gathers objective evidence that an investment is impaired using the same process disclosed in note 2.13 Impairment of Financial Assets.

Consolidated Notes to the Financial Statements for the year ended 31 December 2020

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.

Consolidated Notes to the Financial Statements for the year ended 31 December 2020

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 2020 and 2019, 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 2020 and 2019, this category consists of investment in quoted and unquoted equity shares.

Consolidated Notes to the Financial Statements for the year ended 31 December 2020

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 2020 and 2019, 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).

Consolidated Notes to the Financial Statements for the year ended 31 December 2020

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:

- | | |
|---------------------------------------|--|
| <i>a. Probability of Default (PD)</i> | 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. |
| <i>b. Exposure at Default (EAD)</i> | 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. |
| <i>c. Loss Given Default (LGD)</i> | 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.

Consolidated Notes to the Financial Statements for the year ended 31 December 2020

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.

Consolidated Notes to the Financial Statements for the year ended 31 December 2020

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 costs

Contract costs comprise the incremental costs of obtaining a contract and the costs to fulfill a contract. These must be capitalised if these can be assumed that the costs will be compensated by future revenue from the contract. Incremental costs of obtaining a contract are additional costs that would have not been incurred had the contract not been concluded. Costs to fulfill a contract are costs relating directly to a contract that are incurred after contract inception and serve the purpose of fulfilling the contract but are incurred prior to fulfillment and cannot be capitalised under any other standard.

The costs of obtaining service contracts are capitalised and released to profit or loss on a straight-line basis over the enforceable contract term or over the estimated period of the customer relationship, if shorter.

Costs to fulfill a contract, when they qualify as non-distinct from the performance obligation, are capitalised and costs incurred are recorded on a time-apportioned basis over the effective period of the contract. The assumptions underlying the period over which the costs of fulfilling a contract are expensed are periodically reviewed and adjusted in line with observations; termination of the contractual relationship with the customer results in the immediate expensing of the remaining deferred costs. Where the carrying amounts of deferred costs exceeds the remaining consideration expected to be received for the transfer of the related goods and services, less expected costs relating directly to the transfer of these goods and services still to be incurred, the excess amount is similarly immediately expensed.

Consolidated Notes to the Financial Statements for the year ended 31 December 2020

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 Government grants

Government grants are recognised where there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit

Consolidated Notes to the Financial Statements for the year ended 31 December 2020

2.16 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.

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.

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 2020, the Group has no on-going contract as a lessor.

2.17 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.

Consolidated Notes to the Financial Statements for the year ended 31 December 2020

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 recognised 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.

2.18 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 are recognised for all-interest bearing instruments on an accrual basis using the effective interest method. Interest costs include the effect of amortising any difference between initial net proceeds and redemption value in respect in the Group's interest-bearing borrowings.

Consolidated Notes to the Financial Statements for the year ended 31 December 2020

2.19 Segment Reporting

The Group determines and presents operating segments based on the information that internally is provided to the Board of Directors, which is the Group's operating decision-maker in accordance with the requirements of IFRS 8 'Operating Segments'.

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, and for which discrete financial information is available. An operating segment's operating results are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segment and to assess its performance executing the function of the chief operating decision maker.

2.20 Foreign Currency Translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in euro, which is the functional currency and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. All foreign exchange gains and losses are presented in the income statement within 'other income' or 'other expenses'.

3. Significant accounting judgements, estimates and assumptions

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.

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.

Consolidated Notes to the Financial Statements for the year ended 31 December 2020

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, cocontracts 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 lifetime 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 statement of profit or loss.

Consolidated Notes to the Financial Statements for the year ended 31 December 2020

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 Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the financial statements of the Company, but may impact future periods should the Group enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the financial statements of the Group as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to the Group.

Consolidated Notes to the Financial Statements for the year ended 31 December 2020

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the Group.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the 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.

<i>Description</i>	<i>Effective for annual periods beginning on or after</i>
<i>Reference to the Conceptual Framework – Amendments to IFRS 3</i>	1 January 2022
<i>Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16</i>	1 January 2022
<i>Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37</i>	1 January 2022
<i>IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter</i>	1 January 2022
<i>IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities</i>	1 January 2022
<i>IAS 41 Agriculture – Taxation in fair value measurements</i>	1 January 2022
<i>IFRS 17 Insurance Contracts</i>	1 January 2023
<i>Amendments to IAS 1: Classification of Liabilities as Current or Non-current</i>	1 January 2023

Klikk Finance p.l.c.

Consolidated Notes to the financial statements for the year ended 31 December 2020

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 2020	Lending and financing	Retail	Software Development	Total segments	Adjustments and eliminations	Consolidated
	€	€	€	€	€	€
Revenue						
External customers	195,151	7,967,852	375,341	8,538,344	(226,469)	8,311,875
Expenses						
Depreciation and amortisation	3,750	164,700	41,504	209,954	-	209,954
Finance costs	130,948	178,213	42,840	352,001	(194,953)	157,048
Tax expense/(credit)	17,118	(26,244)	(17,354)	(26,480)	-	(26,480)
Segment profit/(loss)	36,971	13,277	(89,318)	(39,070)	629	(38,441)
Total assets	3,578,427	3,883,260	721,042	8,182,729	(2,881,528)	5,301,201
Total liabilities	(2,519,669)	(4,316,135)	(796,080)	(7,631,884)	2,835,468	(4,796,416)

Klikk Finance p.l.c.

for the year ended 31 December 2020

5. Segment information (continued)

Year ended 31 December 2019	Lending and financing	Retail	Software Development	Total segments	Adjustments and eliminations	Consolidated
	€	€	€	€	€	€
Revenue						
External customers	193,976	6,146,090	298,263	6,638,329	(218,767)	6,419,562
Expenses						
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
Tax expense/(credit)	-	(33,601)	(546)	(34,147)	-	(34,147)
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.

Consolidated Notes to the Financial Statements for the year ended 31 December 2020

6. Revenue

6.1 Disaggregated revenue information

	The Group		The Company	
	2020	2019	2020	2019
	€	€	€	€
Type of goods or service				
Interest income	14,515	28,414	195,151	193,976
Management fees	17,855	28,107	1,005	7,959
Sale of goods	7,936,336	6,116,910	-	-
Provision of services	375,341	298,263	-	-
Other income - legal fees, insurance claims	33,053	20,132	31,321	46,288
Total revenue	8,377,100	6,491,826	227,477	248,223

Timing of revenue recognition

Revenue recognized at a point in time	8,377,100	6,491,826	227,477	248,223
Total revenue	8,377,100	6,491,826	227,477	248,223

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 2020	€	€		€
Revenue				
External customers	198	7,936,336	375,341	8,311,875
Inter-segment	194,953	31,516	-	226,469
	195,151	7,967,852	375,341	8,538,344
Inter-segment adjustments and eliminations	(194,953)	(31,516)	-	(226,469)
Total revenue	198	7,936,336	375,341	8,311,875

Klikk Finance p.l.c.

Consolidated Notes to the Financial Statements for the year ended 31 December 2020

	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

6.2 Contract balances

	The Group		The Company	
	2020	2019	2020	2019
	€	€	€	€
Trade receivables (note 15)	200,821	429,471	72,390	87,618

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.

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 as adopted by the EU .

Klikk Finance p.l.c.

Consolidated Notes to the Financial Statements for the year ended 31 December 2020

7. Expenses by nature

7.1 Cost of sales and operating expenses

	The Group		The Company	
	2020	2019	2020	2019
	€	€	€	€
Depreciation	209,954	167,061	3,750	3,750
Auditors' remuneration	5,100	5,100	1,850	1,850
Directors' remuneration (note 8)	66,973	66,791	-	-
Wages, salaries and social security contribution (note 8)	862,763	791,448	-	-
Other expenses	7,113,703	5,454,983	53,958	88,430
	8,258,493	6,485,383	59,558	94,030

Auditor's fees

Fees charged by the auditor for services rendered during the financial years ended 31 December 2020 and 2019 relate to the following:

	The Group		The Company	
	2020	2019	2020	2019
	€	€	€	€
Annual statutory audit	5,100	5,100	1,850	1,850
Non audit services	2,300	2,300	200	200

7.2 Finance cost

	The Group		The Company	
	2020	2019	2020	2019
	€	€	€	€
Bank overdraft interest	3,702	6,472	-	-
Bank loan interest	25,948	36,861	25,948	36,861
Other interest	127,398	124,405	105,000	112,041
	157,048	167,738	130,948	148,902

8. Staff costs and employee information

Staff costs for the year comprised the following:

	The Group	
	2020	2019
	€	€
Directors' remuneration	66,973	66,791
Wages and salaries	790,520	720,795
Social security contributions	72,243	70,653
	929,736	858,239

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

	The Group	
	2020	2019
Operational	36	44
Administration	9	9
	45	53

Consolidated Notes to the Financial Statements
for the year ended 31 December 2020

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	
	2020	2019	2020	2019
	€	€	€	€
<i>Income tax expense:</i>				
Current tax charge	(1,050)	-	(1,050)	-
Total current tax expense	(1,050)	-	(1,050)	-
Deferred taxation (note 18):				
Group relief transfers	-	-	(16,068)	-
Credit for the year	27,530	34,147	-	-
Income tax credit for the year	26,480	34,147	(17,118)	-

9.2 Tax reconciliation

	The Group		The Company	
	2020	2019	2020	2019
	€	€	€	€
Profit/(loss) before tax	(38,441)	(161,295)	36,971	5,291
Taxation credit thereon	(13,454)	(56,453)	12,940	1,852
<i>Tax effect of:</i>				
- excess of carrying amount of property, plant and equipment over tax base	(34,924)	64,066	-	-
- expenses non allowed for tax purposes	50,934	27,364	6,791	18,602
- income taxed at different rates	(212)	(3,470)	-	-
- unabsorbed capital allowances	(4,862)	(17,532)	(1,313)	(1,313)
- unabsorbed tax losses	(23,962)	(48,122)	(17,368)	(19,141)
- group relief	-	-	16,068	-
Income tax credit	(26,480)	(34,147)	17,118	-

9.3 Current taxation

Taxation recoverable is made up as follows:

	The Group		The Company	
	2020	2019	2020	2019
	€	€	€	€
As at 1 January	(2)	(2)	-	-
Income tax expense	1,050	-	1,050	-
	1,048	(2)	1,050	-
Income tax credit/(expense) for the year	-	-	-	-
As at 31 December	1,048	(2)	1,050	-

Klikk Finance p.l.c.

Consolidated Notes to the financial statements for the year ended 31 December 2020

10. Property, plant and equipment

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 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
As at 1 January 2020	127,011	135,718	7,433	12,017	8,548	39,045	63,821	90,226	44,524	131,102	39,326	698,771
Additions	-	-	-	-	-	-	5,851	-	-	-	-	5,851
As at 31 December 2020	127,011	135,718	7,433	12,017	8,548	39,045	69,672	90,226	44,524	131,102	39,326	704,622
Depreciation												
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
As at 1 January 2020	55,024	81,337	5,202	6,763	8,548	32,042	63,271	57,501	24,225	108,294	26,195	468,402
Charge for the year	6,350	13,572	743	1,314	-	3,502	6,401	15,346	4,043	8,162	132	59,565
As at 31 December 2020	61,374	94,909	5,945	8,077	8,548	35,544	69,672	72,847	28,268	116,456	26,327	527,967
Net book amount												
As at 1 January 2020	71,987	54,381	2,231	5,254	-	7,003	550	32,725	20,299	22,808	13,131	230,369
As at 31 December 2020	65,637	40,809	1,488	3,940	-	3,501	-	17,379	16,256	14,646	12,999	176,655

Klikk Finance p.l.c.

Consolidated Notes to the Financial Statements for the year ended 31 December 2020

11. Intangible assets

The Group

	Website development cost €	Computer software €	Goodwill €	Total €
Cost				
As at 1 January 2020	75,946	107,243	417,951	601,140
Additions	-	45,556	-	45,556
As at 31 December 2020	75,946	152,799	417,951	646,696
Amortisation				
As at 1 January 2019	75,946	-	-	75,946
Charge for the the year	-	-	-	-
As at 1 January 2020	75,946	-	-	75,946
Charge for the the year	-	38,200	-	38,200
As at 31 December 2020	75,946	38,200	-	114,146
Net book amount				
As at 31 December 2019	-	107,243	417,951	525,194
As at 31 December 2020	-	114,599	417,951	532,550

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 being year ended 31 December 2020.

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

12. Financial assets and liabilities

12.1 Financial assets: Trade and other receivables

	2020 €	2019 €
Debt instruments at amortised cost		
Trade and other receivables (note 15)	1,586,872	1,816,844
Total current	1,325,890	1,323,826
Total non-current	295,372	520,431

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

Klikk Finance p.l.c.

Consolidated Notes to the Financial Statements for the year ended 31 December 2020

12.2 Financial liabilities: Loans and borrowings

Current loans and borrowings

	Interest rate €	Maturity €	The Group	
			2020 €	2019 €
Current				
Bank overdraft (note 21)	3.75%	On demand	3,621	143,302
Bank loans	3.75%	2021	113,578	161,943
Total current borrowings			117,199	305,245
Non-current				
Bank loans	3.75%	2021 - 2026	340,768	468,127
Bonds	5.25%	2027	1,938,012	1,930,971
Total non-current borrowings			2,278,780	2,399,098
Total borrowings			2,395,979	2,704,343

The bank overdrafts bear interest rate of 3.75% (2019: 5.15%) per annum and is repayable on demand. The Group enjoys an overdraft facility amounting to €200,000 out of which €1,434 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 3.75% 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.

Consolidated Notes to the Financial Statements for the year ended 31 December 2020

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	
	2020	2019
	€	€
Non-current		
20,000 Unsecured Bonds 2027	1,938,012	1,930,971
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	16,342	9,301
Amortisation charge for the year	7,041	7,041
Unamortised bond issue costs	(61,988)	(69,029)
Amortised cost and closing carrying amount	1,938,012	1,930,971
Other financial liabilities		
	The Group	
	2020	2019
	€	€
Current trade and other payables (note 16)	1,528,323	1,665,161

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, 5.25% unsecured 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.

Consolidated Notes to the Financial Statements for the year ended 31 December 2020

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 customer'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 2020

	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	72,390	349,026	877,523	2,258,391
Allowance for ECL	31,253	21,090	15,044	36,328
				103,715
Less intercompany ECL				(49,764)
Total ECL				53,951

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

Consolidated Notes to the Financial Statements for the year ended 31 December 2020

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 2020

	Less than 1 year	1 to 5 years	> 5 years	Total
	€	€	€	€
Interest-bearing loans and borrowings	117,194	283,968	56,794	457,956
Trade and other payables	1,528,334	-	-	1,528,334
Bonds	-	-	1,938,012	1,938,012
Lease Liabilities	85,037	575,067	210,962	871,066
	<u>1,730,565</u>	<u>859,035</u>	<u>2,205,768</u>	<u>4,795,368</u>

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	79,310	81,158	50,573	211,041
	<u>2,049,726</u>	<u>471,254</u>	<u>2,059,565</u>	<u>4,580,545</u>

Fair value risk

As at 31 December 2020 and 2019, 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 2020.

Klikk Finance p.l.c.

Consolidated Notes to the Financial Statements for the year ended 31 December 2020

12.4 Changes in liabilities arising from financing activities

	1 January 2020	Cash flows	Non-cash changes	31 December 2020
	€	€	€	€
Bank loans	630,070	(293,862)	-	336,208
Bonds	1,930,971	-	7,041	1,938,012
Total liabilities from financing activities	2,561,041	(293,862)	7,041	2,274,220

13. Investment in subsidiary

	The Company	
	2020	2019
	€	€
Cost		
As at 1 January and 31 December 2020	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, Birkirkara By-pass, Birkirkara BKR 4019	146,877 Ordinary B at €2.4/share (par value: €2.5/share), fully paid up	100%
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	
	2020	2019
	€	€
Finished goods	1,181,691	1,229,408

15. Trade receivables

	The Group		The Company	
	2020	2019	2020	2019
	€	€	€	€
Current				
Trade receivables	200,821	429,471	72,390	87,618
Amounts paid in advance	253,483	100,572	(20,434)	(3,649)
Amount owed by related companies	93,534	19,860	225,375	600,097
Shareholders' advances	225,375	225,375	672,985	225,375
Indirect taxation	6,295	5,481	6,295	5,481
Accrued income and prepayments	558,558	567,918	22,202	19,131
Allowance for expected credit losses	(18,336)	(26,196)	(11,717)	(10,205)
Total current trade and other receivables	1,325,890	1,323,826	967,096	923,848

Consolidated Notes to the Financial Statements for the year ended 31 December 2020

Non-current

Trade receivables	295,372	520,431	-	-
Allowance for expected credit losses	(34,390)	(27,413)	-	-
Total non-current trade receivables				
	260,982	493,018	-	-
Total trade and other receivables	1,586,872	1,816,844	967,096	923,848

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 2020, trade receivables at nominal value of €53,951 (2019: €53,585) were impaired and fully provided for. Movement in the allowance for expected credit losses of trade receivables were as follows:

	The Group	
	2020	2019
	€	€
As at 1 January	53,585	29,825
Expected credit loss movement during the year		
Provision during the year	366	24,499
Reversal of expected credit loss	-	(739)
Movement during the year	366	23,760
As at 31 December	53,951	53,585

At 31 December 2020, there was an expected credit loss of €366 (2019: €24,499) related to outstanding receivables which are deemed by the Directors not to be recoverable.

16. Trade and other payables

	The Group		The Company	
	2020	2019	2020	2019
	€	€	€	€
Current				
Amounts received in advance	44,505	101,752	-	-
Trade payables	541,175	640,612	5,580	36,860
Amounts due to related undertakings	254,294	254,294	63,100	63,100
Indirect taxes and social security contributions	614,278	538,049	231	226
Accrual and prepaid income	63,198	89,394	49,585	51,290
Other payables	5,590	-	5,590	-
Deferred income	5,283	41,060	-	1,005
Total trade and other payables	1,528,323	1,665,161	124,086	152,481

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.

Consolidated Notes to the Financial Statements for the year ended 31 December 2020

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:

- Assigning and subleasing the leased assets (except when otherwise agreed with the lessor in special terms)
- Effecting major structural or layout alterations on the leased premises
- 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	Birkirkara	Stores located in Zejtun	Total
As at 1 January 2020	5,706	35,014	162,942	203,662
Additions - Right of Use	757,569	-	-	757,569
Amortisation of Right-of-Use	(37,271)	(35,014)	(39,904)	(112,189)
As at 31 December 2020	726,004	-	123,038	849,042

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	
	2020	2019	2020	2019
	€	€	€	€
As at 1 January	211,041	311,198	-	-
Additions	757,569	-	-	-
Accretion of interest	22,397	12,363	-	-
Rent paid	(119,941)	(112,520)	-	-
As at 31 December	871,066	211,041	-	-
Current	85,037	79,310		
Non-current	786,029	131,731		

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

The following are the amounts recognised in profit or loss:

	The Group		The Company	
	2020	2019	2020	2019
	€	€	€	€
Amortisation of Right-of-Use assets	112,189	107,536	-	-
Interest expense on lease liabilities	22,397	12,363	-	-
Total amount recognised in income statement	134,586	119,899	-	-

As at 31 December 2020, the Company has no commitment to short term leases nor any leases which had not yet commenced.

Klikk Finance p.l.c.

Consolidated Notes to the Financial Statements for the year ended 31 December 2020

18. Deferred taxation

Deferred tax asset

	The Group	
	2020	2019
	€	€
As at 1 January	337,112	302,965
Charge in profit or loss (note 9)	27,530	34,147
As at 31 December	364,642	337,112

The balance as at 31 December 2020 represents:

	The Group	
	2020	2019
	€	€
Tax effect of temporary differences relating to:		
Excess of capital allowances over depreciation	(22,623)	(24,408)
Unabsorbed capital allowances	117,796	115,479
Unrelieved tax losses	253,215	228,712
Provision for estimated credit losses	8,546	14,747
Lease liability	304,873	73,864
Right-of-use-assets	(297,165)	(71,282)
	364,642	337,112

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% (2019: 35%) .

19. Share Capital

19.1 Issued capital

	The Company	
	2020	2019
	€	€
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	
	2020	2019	2020	2019
	€	€	€	€
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.

Klikk Finance p.l.c.

Consolidated Notes to the Financial Statements for the year ended 31 December 2020

20. Loss per share (LPS)

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	
	2020	2019
	€	€
Loss for the year attributable to shareholders	(11,961)	(127,148)
Weighted average number of ordinary shares in issue (note 19)	350,000	350,000
Loss per share (cents)		
- Continuing operations	(0.03)	(0.36)

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	
	2020	2019	2020	2019
	€	€	€	€
Cash at bank and in hand	609,749	754,700	54,927	80,180
Overdrawn bank current accounts	(3,621)	(143,302)	(2,187)	(23,730)
As at 31 December	606,128	611,398	52,740	56,450

22. Commitments and contingencies

Guarantees

As at the reporting date, the Group had given guarantees to third parties in the normal course of the business amounting to € 10,000 (2019: €10,000).

Klikk Finance p.l.c.

Consolidated Notes to the Financial Statements for the year ended 31 December 2020

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 and related undertakings are related by virtue of common control. The following significant transactions were carried out with related parties:

	2020 €	2019 €
Interest income	194,953	189,587
Related party sales	276,869	34,806

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 2020, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2019: €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. 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 Hal Mann Vella Group p.l.c., Ms. Veronica Ciappara, Ms. Miriam Schembri, Mr. Joseph Vella, Mr. Mark Vella, Mr. Martin Vella, Mr. Paul Vella and Mr. Simon Vella, who each own 12.50% of the issued capital.