LOQUS®

BUSINESS INTELLIGENCE

30 June

2018

Annual Report & Financial Statements

Company Registration No. C 27140

LOQUS HOLDINGS P.L.C.

Annual Report
and
Financial Statements

30 June 2018

CONTENTS

CHAIRMAN'S STATEMENT

Dear Shareholder,

It was remarkable to witness the strong progress achieved by Loqus during this financial year. We were able to make major improvements in customer experience, continued positive development in employee engagement and motivation and continued to deliver improved financial results. I am pleased to report that the Group delivered a satisfactory financial performance during the year and invested substantially in strengthening our business.

The rapid development of technologies has brought new business models and opportunities to our industry as well as higher demand from our customers. We understand technology development is necessary in order to stand out amid fierce competition. This is why Loqus has been investing heavily in software research and development in our openFleet product. Loqus will continue to make excellent progress around technology by enhancing our product range and service quality, whilst providing better products and more diversified services to our customers.

We are working with a long-term horizon instead of just focusing on quick, short-term results. Indeed, the results achieved in fiscal 2017/2018 bear testament to the fact that it pays to work with a long-term vision. We now have delivered improved results year on year for the past five years and this motivates us to attain even better performance and continue our efforts to generate returns for shareholders.

We are very conscious of the fact that there is still room for improvement. We continue to invest in the future, and we will be increasing our emphasis on fostering human resource development since these are a key driver of the Group's growth.

Once again I express my sincere appreciation to my fellow Board members for their dedication during the past year and for their insights and expertise they each bring to the Board. We are fortunate to have such skilled and committed employees led by Joe Fenech Conti. I warmly acknowledge and thank each employee for their contribution.

WALTER BONNICI
Group Chairman

24 October 2018

GROUP CHIEF EXECUTIVE OFFICER'S REVIEW

Dear Shareholder,

I am pleased to report to you that fiscal 2017/2018 was another year of positive results during which Loqus achieved several key strategic, operational and financial targets. Our legacy revenue base has remained steady over the last few years and in 2016/2017 we created the openFleet platform. The platform has already returned substantial revenues and we continue to invest heavily in Research & Development in openFleet to deliver increases in revenue and profitability over the next few years.

GROUP OPERATIONAL PERFORMANCE

The year under review was another strong year as the Group added valuable clients and customers and delivered the best financial results since inception. Improvement has been registered for the past 5 years. Our mindset is that we consistently build the Group by achieving better results year on year.

	2018	2017	2016
	EUR	EUR	EUR
FINANCIAL			
Revenue	**3,897,951**	3,476,867	3,893,957
Operating profit	**1,746,537**	1,522,007	1,188,301
EBITDA	**1,171,421**	990,015	690,323
Profit for the year	**642,042**	484,014	268,549
EBITDA % of revenue	**30%**	28%	18%
Profit for the year (% of revenue)	**16%**	14%	7%
LIQUIDITY			
Cash generated from operations	**870,943**	941,943	416,826
Net cash	**(29,494)**	128,732	106,357
NUMBER OF EMPLOYEES	**90**	88	79

The focus on maximising revenue from core services through operating efficiencies has delivered improved earnings with a healthy increase of 15% in operating profit and an increase of 18% in EBITDA. As expected the amortisation costs relating to our research and development investment is on the increase following the investment which is of utmost importance for the Group.

Our cash flow from operations registered a decrease of EUR71k due in part to new statutory creditor write-offs which took place during the current financial year.

CAPITAL REQUIREMENTS

The Group has a clear financial framework and remains highly disciplined to continue to increase working capital to ensure that we can achieve the most important investment required in innovation and sales development. All the research and development has been financed through the cash generated from operations over the past years. Now that profitability is increasing steadily and contracted annual revenues on our new SAAS products is growing, our focus will be to return to a positive cash position.

CORPORATE STRATEGY

Our product roadmap for 2016-2020 is on track. In 2016 we launched the openFleet platform which combines route planning and optimisation, mobile job management and real-time tracking into a single, easy to use platform. Over the years we have migrated our offerings to the Software as a Service (SaaS) model that is mainly hosted on third-party providers like Amazon Web Services which allows us to deliver over the Internet and sell against a monthly or transaction fee typically on a 3 to 5-year contract basis. openFleet is completely SAAS based and will become the main platform that Loqus will sell internationally.

Daily our customers deliver parcels, goods and services to nearly a million destinations and use our products to make sure that they do this in the most efficient and cost-effective manner that our products can deliver. Every improvement that we bring in performance and accuracy means that our customers make sizable savings in their operations while increasing their customer satisfaction. The data-driven world offers us great opportunities for innovation and growth, one of the main objectives for openFleet is to build upon our legacy routing optimisation by developing new and innovative mathematical solutions to our client's challenges.

openFleet allows our customers and partners to build, modify and manage fleet management through easy to use and intuitive interfaces decreasing our dependency on technical resources for implementation and empowering our partners to sell to a larger number of prospects and to provide implementation and support directly to customers. To facilitate this process, we have segmented the marketing of our product while keeping to our objective of a common code base. Our product is set for different target markets including:

- **openFleet Enterprise** is targeted towards large companies with complex business logic and fleet size of over 500 and would require a high degree of consultancy,
- **openFleet Professional** aims at medium-sized organisations, with fleet size of less than 500 units, since they require a medium to low level of implementation resources to manage the project,
- **openFleet Modular** is mainly for integration partners and very large companies with fleet of over 5000 units.
- **openFleet Online** is set for fleet sizes as small as one unit and which would require no implementation and integration. This product is still at development stage.

With over 1.5 million Euros invested in R&D in openFleet we already have generated close to 1 million in openFleet revenues and EUR4.1 Million in Total Contract Values.

BUSINESS DEVELOPMENT

We remain very much focused on nurturing our partner network and growing it over more countries. During the period under review, the company signed up 2 new European partners and have started discussions with partners in North America.

Whilst the importance of the large complex deployments remains, the team is now also focusing on creating solution verticals which are targeted for the smaller businesses – this together with enhanced branding and marketing campaigns will keep pushing the Loqus openFleet platform to the forefront.

The company has also hired 2 new resources to assist in the sales and marketing activities.

FORWARD-LOOKING STRATEGY

Looking ahead, we know that our small size will remain a challenge especially in the context of recent merger of industries, segments and business. At the same time, we are excited by the growth opportunities that exist for our openFleet solution. Nevertheless, we believe that our ability to continue our development and sales of our new openFleet platform will play an important role in maximising our gross margins which are expected to lead to another year of improved operating profitability.

The management team continue to look at investment opportunities both in terms of acquiring new business units and selling off our own business units. We have had several approaches from large industry and corporate investors over the last few years. We are currently evaluating some of them to identify a deal that is positive for the shareholders by materialising both the current and future value of the business unit under consideration.

TEAM LOQUS

Loqus is made up of a group of dynamic, creative and talented people, ready to go that extra mile to create value for our customers. It is our employees that make Loqus a great place to work and one of the reasons why our partners choose to work with us. Talented, diverse employees result in satisfied customers. They also deliver innovative products and outstanding ideas. Basically, everything we do emanates from our employees. We look for employees and satisfied customers who stay with us year on year. Good employees are a result of a healthy, open and respectful environment. Loqus ensures continuous investment in training for our employees to enable them to keep up with the new demands and acquire new knowledge and skills. We believe that knowledge sharing is also accelerated through active, teamwork.

We continue to respect our corporate social obligations: we ensure that all our colleagues receive a minimum fair living wage; we continue to build on our equal opportunities program and the right to inclusion for persons with physical and mental disabilities.

We move forward with confidence in our strategic direction as well as in our people, products and partners. I'd like to thank my colleagues for their efforts and the Board of Directors for its continued support and guidance.

JOE FENECH CONTI
Group Chief Executive Officer

24 October 2018

GENERAL INFORMATION

Company registration

Loqus Holdings p.l.c. was registered in Malta on 23 October 2000 as a limited liability company under the Companies Act, Cap. 386 of the Laws of Malta. The Company's registration number is C 27140.

Directors

Walter Bonnici (Chairman)
Joseph Fenech Conti (Chief Executive Officer)
Anthony P Demajo
Joseph Roland Scerri
Lawrence Zammit
Alison Attard (resigned on 21 August 2017)
Albert DeBono (appointed on 3 October 2017)

Company secretary

Adrian Mallia

Registered office

SUB008A
Industrial Estate
San Gwann SGN 3000
MALTA
Tel: (+356) 23 318 000

Bankers

HSBC Bank Malta p.l.c.
116, Archbishop Street
Valletta VLT 1444
MALTA

Auditors

Mazars Malta
32, Sovereign Building
Zaghfran Road
Attard ATD 9012
MALTA

DIRECTORS' REPORT

The Directors submit their report together with the audited financial statements for the year ended 30 June 2018.

Principal activities

The Group is primarily involved in the provision of fleet management, back-office processing and ICT solutions.

Dividends

The Directors did not propose the payment of dividend.

Review of the business

The Group registered a profit before the effect of taxation amounting to EUR642,042 (2017: EUR484,014). Further information about the results of the Group is provided in the statement of comprehensive income on page 14.

The Company registered a loss before the effect of taxation of EUR72,136 (2017: Loss: EUR72,287). Further information about the results of the Company is provided in the statement of comprehensive income on page 19.

This financial year is a significant step forward on the Group's path to continue to add value. Loqus is reporting a 12% increase in revenue as well as an 18% increase in EBITDA over the prior year. Profit for the year represents 16% (2017: 14%) of revenue. Over the coming years, Loqus will continue to drive operational excellence and invest in innovation and sales development.

A more detailed review of the operation of the Company and its subsidiary undertakings for the year under review, and an indication of the likely future developments, are highlighted in the Chairman's Statement and Group Chief Executive Officer's Review.

Performance review

The operating profit for the year increased by 15% from EUR1,522,007 to EUR1,746,537. This resulted following an increase in revenue as well as in capitalised labour costs due to the development of the next generation fleet management tools. Significant cost reduction programmes implemented in Back-office processing have also had a positive effect on the operating profit.

During the year under review the Group registered a profit of EUR642,042 (2017: EUR484,014) which includes write-off of creditors amounting to EUR188,530 (2017: EUR276,503). The Company registered a loss of EUR72,136 since no dividends were issued by its subsidiaries.

Key performance indicators

The Group measures the achievement of its objectives through the use of the following other key performance indicators:

Financial
The Group calculates the level of its free cash flow by reference to the cash generated from operations less capital expenditure, interest and tax. The Group had a negative free cash flow at year end which amounted to EUR29,494. This was due to the fact that the Group is financing its investment in research and development through the cash generated from operations. The Group has a high management level of working capital and a disciplined approach to capital expenditure.

DIRECTORS' REPORT – continued

Key performance indicators - continued

Financial - continued
The adjusted earnings per share increased from 2017 to 2018 from EUR1c5 to EUR2c respectively. This comprises the basic earnings per share from operations based upon the profit attributable to ordinary shareholders before exceptional items divided by the average number of shares in issue during the year. The generation of earnings is essential to deliver share price growth and dividends to shareholders and to fund future growth in the business. The Group's basic earnings per share is disclosed in Note 7.

The Group measures its performance based on EBITDA, which is defined as the profit before depreciation, amortisation, net finance expense and taxation. During the year under review, EBITDA increased by 18% to EUR1,171,421 from EUR990,015.

Non-Financial
The average number of employees increased from 88 to 90 by 2% during the year. This was due to an increased number of software developers engaged in the research and development of the Group's next generation fleet management tools. Having high quality teams in place is essential to attain the company's business strategies.

Principal risks and uncertainties

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

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

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

Talent and skills
Failure to engage and develop the Group's existing employees or to attract and retain talented employees could hamper the Group's ability to deliver in the future. Human resources have become a major challenge in the industry the Group operates in. The Group is aggressively working at attracting, developing and retaining the best of local IT resources as well as recruiting foreign employees in order to handle the need for IT related skills. Regular reviews are undertaken of the Group's resource requirements.

Economic and market environment
Economic conditions have been challenging in recent years across the markets in which the Group operates. A significant economic decline in any of these markets could impact the Group's ability to continue to attract and retain customers. Demand for the Group's products can be adversely affected by weakness in the wider economy which are beyond the Group's control. This risk is evaluated as part of the Group's annual strategy process covering the key areas of investment and development and updated regularly throughout the year. The Group continues to make significant investment in innovation. The Group regularly reviews its pricing structures to ensure that its products are appropriately placed within the markets in which it operates.

DIRECTORS' REPORT – continued

Principal risks and uncertainties – continued

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

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

Technology and business interruption
The Group relies on information technology in all aspects of its business. In addition, the services that the Group offers to its customers are reliant on complex technical infrastructure. A failure in the operation of the Group's key systems or infrastructure could cause a failure of service to its customers, thus negatively impacting its brand, and increased costs. The Group makes yearly investment in technology infrastructure to enable it to continue to support the growth of its business and has a robust selection and monitoring process of third-party providers. The Group is currently aiming at moving most of the solutions to the cloud by the end of 2018. This would significantly decrease the business interruption risk as well as reducing the costs to the Group. The Group also organises regular business continuity exercises to ensure ongoing readiness of key systems and sites.

Financial risk management
One of the Group's challenges is maintaining the balance between delivering good financial results in the short-term, and at the same time positioning the business for sustainable long-term growth. The Group is currently facing liquidity issues due to significant investment in product development and requires more capital in order to complete its suite of products. The Group is currently in a good position in turns of profitability but faces lack of capital especially when facing decreasing credit facilities from the bank. The Group has started to examine alternatives to bank finance in order to obtain the cash it requires to grow. Note 21 to the financial statements provides details in connection with the Group's and the Group's use of financial instruments, its financial risk management objectives and policies and the financial risks to which it is exposed.

Significant judgements and estimates
Note 2.5 to the financial statements provides details in connection with the inherent uncertainties that surround the preparation of the financial statements and which require significant estimates and judgements.

Directors

The Directors of the Company who held office during the year ended 30 June 2018 were those listed in the General Information.

Auditors
The re-appointment of Mazars Malta will be proposed at the Annual General Meeting.

The Directors' report was approved by the Board of Directors and was signed on its behalf by:

WALTER BONNICI
Chairman
24 October 2018

JOSEPH FENECH CONTI
Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act, Cap. 386 of the Laws of Malta requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Group and Company as at the end of the financial year and of the profit and loss for that year.

The Directors are responsible for ensuring that:

- appropriate accounting policies have been consistently applied and supported by reasonable and prudent judgements and estimates;
- the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the European Union;
- the financial statements are prepared on the basis that the Group and the Company must be presumed to be carrying on its business as a going concern; and
- account has been taken of income and charges relating to the accounting year, irrespective of the date of receipt or payment.

The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Company and to enable them to ensure that the financial statements comply with the Companies Act, Cap. 38 of the Laws of Malta. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTORS' STATEMENT OF COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

Introduction

Pursuant to Listing Rule 5.94 of the Listing Rules issued by the Listing Authority, Loqus Holdings p.l.c. ("the Company") as a company whose equity securities are listed on a regulated market should endeavour to adopt the principles of good corporate governance contained in Appendix 5.1 of the Listing Rules (hereinafter "the Code"). In terms of Listing Rule 5.94 the Company is bound to include a report providing an explanation of the extent to which it has adopted the principles and thus the Company is hereby reporting on the extent of its adoption of the principles contained in the Code.

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

General

The Company is a holding company and does not itself carry on any trading activities. It owns a number of subsidiaries which together form the Loqus Group (hereinafter the "Group") and it is those subsidiaries that carry on trading activities. The Directors are of the view that good corporate governance is the result of a mix of checks and balances which are tailored to suit the Company and its business. The Directors firmly believe that whilst best practices are of general application, certain structures aimed at safeguarding these best practices may not be objectively the best structure in the context of a company whose size or business require otherwise.

The Company's governance principally lies in its Board of Directors (the "Board"), responsible for the overall setting of the Group's policies and business strategies.

The Company has adopted a corporate decision-making and supervisory structure that is tailored to suit the Group's requirements and designed to ensure the existence of adequate checks and balances within the Group, whilst retaining an element of flexibility, particularly in view of the size of the Company and the nature of its business.

In general, the Directors believe that the Company has in place appropriate structures to achieve a satisfactory level of good corporate governance. The Directors also believe that an adequate system of checks and balances is in place.

Below, the Directors set forth in further detail the structures, checks and balances, and processes in place, as well as the manner in which these contribute towards achieving the goals set forth in the Code.

Compliance with the Code

These principles deal mainly with the role of the Board and the Directors.

Principle 1 – The Board

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

DIRECTORS' STATEMENT OF COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

Compliance with the Code – continued

Principle 1 – The Board – continued

The Board has, during the period under review, shown the necessary leadership of the Company and has in place mechanisms to ensure that it obtains the requisite information for it to exercise its role and functions. The CEO, as a Director of the Company, attends Board meetings of the Company, as do other senior members of management as and when requested by the Board.

Principle 2 – Chairman and CEO

In compliance with this principle, the Board has separated the functions of CEO and Chairman, with the Chairman leading the Board whilst the CEO leads the executive arm of the Company. The CEO is accountable to the Board. Thus, the Directors believe that the Company is in compliance with principle 2.2 of the Code.

Principle 3 – Composition of the Board

During the period under review, four (4) Non-Executive Directors and two (2) Executive Directors served as Directors of the Company. The Company's organisational structure contemplates the role of a Chief Executive Officer (the "CEO"), a position which is occupied by Mr Joseph Fenech Conti, who is an Executive Director having a seat on the Board of Directors. The Company's CEO is currently a member of the Board and attends Board Meetings in such capacity whilst other Executives attend when necessary and upon invitation of the Directors. The presence of the CEO assures that the Directors have direct access at meetings of Directors to the person having the prime responsibility for day to day operations of the Company and the implementation of polices that allows effective discussion and the availability of all the information necessary to carry out their functions in the best possible manner. In this respect, the Directors feel that the principle set forth in the Code is substantively met by means of this arrangement which allows the interaction of Non-Executive Directors and Executives.

As stated above, the Board of Directors during the period under review comprised of six Directors elected by the shareholders in the Annual General Meeting. For the year under review, the Board has met four times. A table outlining attendance is set forth hereunder:

Directors	Date of first appointment	Meetings attended
Mr Walter Bonnici – Chairman	23 October 2000	4
Mr Joseph Fenech Conti	7 August 2008	4
Mr Anthony P Demajo	29 July 2005	4
Mr Roland Scerri	24 April 2012	4
Ms Alison Attard*	17 December 2015	-
Mr Lawrence Zammit	20 January 2017	4
Mr Albert DeBono**	26 August 2013	3

* resigned on 21 August 2017
**appointed on 3 October 2017

The meetings held during 2017 and 2018 were attended either personally or by means of an alternate.

DIRECTORS' STATEMENT OF COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

Compliance with the Code – continued

Board meetings concentrate mainly on strategy, operational performance and financial performance. The Board also delegates specific responsibilities to the CEO and the Audit Committee which operate under their respective formal terms of reference. Directors have access to the advice and services of the Company Secretary who is also the legal counsel to the Board and the Company. The Board has also set up a Remuneration Committee and is in the process of approving its terms of reference.

Directors may, in the furtherance of their duties, take independent professional advice on any matter at the Company's expense. Directors and senior officers are informed and are aware of their obligations on dealings in securities of the Company within the established parameters of the law and the Listing Rules.

Each such Director and Senior Officer has been provided with the code of dealing required in terms of Listing Rule 8.45.

The Board of Directors has not undertaken an annual evaluation of its own performance and that of its Committees and of individual Directors. The Non-Executive Directors' performance is not formally evaluated by the Company whether on an individual or collective basis. Moreover, the attendance at Board Meetings as shown above is indicative of the level of commitment of the Directors. The Directors believe that in view of the limited size of the Company and its resources, a formal independent evaluation of the collective and individual performance of the Directors by independent third parties is unwarranted as it is not likely to add significant value to the manner in which the Board currently operates and could be disproportionately costly.

For the purposes of Code Provision 3.2 requiring the Board to report on whether it considers each Non-Executive director as independent in line with the requirements of that Code provision, the Board considers that Mr Albert DeBono and Mr Lawrence Zammit were independent during the period under review within the strict meaning of the Code. Mr Walter Bonnici (indirectly) and Mr Anthony P. Demajo both hold issued and voting capital in the Company. This notwithstanding, the Board considers that both the said Directors have the requisite skills, experience and integrity to act independently and impartially as Directors of the Company.

Principle 4 – Board Responsibility

In terms of this principle, it is the Board's responsibility to ensure a system of accountability, monitoring, strategy formulation and policy development. Whilst there are matters which are reserved to the Board to determine within the Group, the Board believes that this responsibility includes the appropriate delegation of powers to management and the organisation of an Executive Team in a manner that is designed to provide high levels of comfort to the Directors that there is proper monitoring and accountability apart from implementation of policy. Senior Executive Management is presently entrusted to the CEO, who reports to the Board. The link between the Executive Management and the Board is attained through the attendance at Board Meetings of the CEO, as a member of the Board.

Though the Company has not set up a formal executive committee, meetings led by the CEO, between members of top management take place regularly.

As part of its corporate governance structures the Company has also established an Audit Committee in line with the requirements of the Listing Rules. Unlike the provisions of the Code, which are not mandatory in nature, the Directors acknowledge that the requirement of having an Audit Committee in place is an obligation under the Listing Rules. The principal role of the Audit Committee is the monitoring of internal systems and controls. In addition, unless otherwise dealt with in any other manner prescribed by the Listing Rules, the Audit Committee has the responsibility to monitor and scrutinise related party transactions, if any, falling within the ambits of the Listing Rules and to make its recommendations to the Board of any such proposed related party transactions.

DIRECTORS' STATEMENT OF COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

Compliance with the Code – continued

Principle 4 – Board Responsibility – continued

The Audit Committee was, during the period under review, composed of Mr Anthony P. Demajo (Chairman of the committee and Non-Executive Director of the Company), Mr Albert DeBono (Non-Executive Director of the Company), and Mr Lawrence Zammit (Non-Executive Director of the Company). Mr Albert DeBono was appointed to replace Ms Alison Attard, who resigned on the 21 August 2017.

Nevertheless, the Audit Committee has the power and authority under its terms of reference to summon any person to assist it in the performance of its duties. The Audit Committee has met five times in the financial year under review. The Directors are of the view that the composition of the Audit Committee meets the requirements of the Code on independence as well as having a member with knowledge in accounting and/or auditing, since Mr Albert DeBono is a Certified Public Accountant. Following such declarations, such persons are also considered to be independent Directors for the purposes of the Code.

Principle 5 – Board Meetings

The Board is of the view that it complies with the requirements of this principle. Reference is made to the information disclosed above in relation to the number of Board Meetings held and participation thereat, as well as Audit Committee Meetings.

Principle 6 – Information and Professional Development

The CEO is appointed by the Board and enjoys the confidence of the Board. The CEO is responsible for recruitment and appointment of senior management, which is done in consultation with the Board.

The Directors have access to professional advice as and when required, with a view to discharging properly their duties as Directors.

Principle 7 – Evaluation of Board's Performance

The Board has not appointed a committee for the purpose of evaluating its own performance, and does not at this point intend to do so.

Principle 8 – Committees

The Board has considered and approved the appointment of a remuneration committee. The Committee is composed of Mr Walter Bonnici (Chairman of the committee and Non-Executive Director of the Company) and Mr Lawrence Zammit (Non-Executive Director of the Company). The terms of reference of this Committee are in the process of being approved.

The Company has not appointed a nominations committee, and does not believe that at this point it is necessary to do so.

Principles 9 and 10 – Relations with Shareholders and the Market

During the period under review, the Company has communicated to the market through company announcements providing the market with information about reportable events. The Company also communicates to the market and its shareholders through its general meetings.

The Company's website is also utilised as an avenue for imparting information to the market.

DIRECTORS' STATEMENT OF COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

Compliance with the Code – continued

Principle 11 – Conflict of Interest

In the context of Board meetings, a Director having a conflict of interest is required to inform the other members of the Board, and may be invited to abstain from voting on a particular matter in which he is conflicted, as well not to be present whilst the matter is under discussion. The Board is of the view that this secures substantive compliance with the rationale underlying this principle.

Terms and conditions of contracts negotiated with related parties are subject to review and approval by the Company's Audit Committee. During the year under review, no new contracts were entered into with related parties.

As at reporting date, the direct interests of the Directors in the shares of the Company were as follows:

	Number of shares
Mr Anthony P. Demajo	1,350,750
Mr Joseph Roland Scerri	5,556
Ms Alison Attard (resigned on 21 August 2017)	NIL
Mr Lawrence Zammit (appointed on 20 January 2017)	NIL
Mr Albert DeBono (appointed on 3 October 2017)	NIL

Mr Joseph Fenech Conti has a beneficial interest of 15,949,500 shares currently registered in the name of JFC Holdings Limited. Mr Walter Bonnici has a beneficial interest of 1,434,030 shares currently registered in the name of GDL Trading and Services Limited.

Principle 12 – Corporate Social Responsibility

The Company understands its obligation towards society at large and, within the current financial constraints of the Company, attempts to fulfil this obligation. The Company is fully aware of its obligation to help preserve the environment and endeavours to respect the environment.

The Company considers itself to be a good employer and promotes open communication, responsibility and personal development. Furthermore, the Company maintains a staff development program aimed at providing training to staff to assist in their development. Through investing in its people and their professional growth, the Company believes that this will be beneficial to both its shareholders and stakeholders alike.

The Directors consider that during the financial year under review the Company has put in place appropriate structures to comply with the principles and underlying spirit of the Code. Nonetheless the Directors shall endeavour to keep the situation under regular review as appropriate.

Non-compliance with the Code Provisions

The Directors set forth below the code provisions which they do not comply with, together with an explanation for such non-compliance:

Code Provision	Explanation
Principle 2 – Chairman and CEO	
2.1	Though the functions of CEO and Chairman are carried out by separate persons, the division of responsibilities has not been established in writing. In practice, however, the two roles are clearly separated and defined.

DIRECTORS' STATEMENT OF COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

Non-compliance with the Code Provisions – continued

Code Provision	Explanation
Principle 4 – Board Responsibility	
4.2	The Board has not developed a succession policy for the future composition of the Board. The existence of a deputy CEO somewhat reduces the need for such a policy.
4.3	The Company has not as such organised any information sessions as required in this provision though the Board regularly discusses the matters set forth in this provision during Board meetings.
Principle 6 – Information and Professional Development	
6.1	Directors are not offered an official introduction programme, in particular since Directors are re-elected from year to year and are persons who are experienced in directorships. However, new Directors are given informal induction on the Company and its operations.
6.4	Though no 'formal' systems are in place for the development and training of management and employees, as a fact management and employees are frequently offered training opportunities. No formal 'systems' to monitor morale are in place, though the size of the Company allows for constant informal assessment of staff morale. Furthermore, no formal succession plan for Senior Management is in place.
Principle 7 – Evaluation of Board's Performance	
7.1	The Board is of the view that the size of the Company and the Board itself does not warrant the establishment of this Committee. The Board is of the view that the size of the Board is such that it is in a position to evaluate its own performance.
Principle 8 – Committees	
8A	The Board has recently appointed a remuneration committee.
8B	The Board has not appointed a nominations committee, particularly due to the requirements relating to nomination in the Articles of Association of the Company.
Principle 9 – Relations with Shareholders and the Market	
9.3	The Memorandum and Articles of Association of the Company do not provide a mechanism for resolution of conflicts as referred to in this provision.

Internal Control

The Board is ultimately responsible for the Company's system of internal controls and for reviewing its effectiveness. Such a system is designed to manage, rather than eliminate, risk in order to achieve business objectives, and can provide only reasonable, and not absolute, assurance against normal business risks or loss.

Through the Audit Committee, the Board reviews the effectiveness of the Company's system of internal controls.

The key features of the Company's system of internal control are as follows:

DIRECTORS' STATEMENT OF COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

Internal Control – continued

Organisation

The Company operates through the CEO, who is the most senior Executive, with clear reporting lines and delegation of powers. The CEO reports directly to the Board.

Risk identification

Company management is responsible for the identification and evaluation of key risks applicable to their respective areas of business. The Audit Committee's mandate also includes the continuous assessment and oversight of such key risks.

General Meetings

The General Meeting is the highest decision making body of the Company and is regulated by the Company's Articles of Association. All shareholders registered on the register of members of the Company on a particular record date are entitled to attend and vote at General Meetings. A General Meeting is called by 21 days' notice.

At an Annual General Meeting (AGM) what is termed as 'ordinary business' is transacted, namely, the declaration of a dividend, the consideration of the accounts, balance sheets and the reports of the Directors and Auditors, the election of Directors, and the appointment of Auditors and the fixing of remuneration of Directors and Auditors. Other business which may be transacted at a General Meeting (excluding the general meeting) is dealt with as 'Special Business'.

Voting at General Meetings takes place by a show of hands or a poll where this is demanded. Subject to any rights or restrictions for the time being attached to any class or classes of shares, on a show of hands each Shareholder is entitled to one vote and on a poll each Shareholder is entitled to one vote for each share carrying voting rights of which he is a holder. Shareholders who cannot attend a meeting may appoint a proxy.

Business at the Company's AGM will cover the approval of the Annual Report and Audited Financial Statements, the Election of Directors and the Appointment of Auditors and the authorisation of the Directors to set the Auditors' remuneration.

Further Information

To comply with the recommendations of the Code as regards the disclosure of Directors' remuneration, the Board has opted to disclose an aggregate figure. For the financial year under review the aggregate remuneration to which the Directors were entitled amounted to:

Directors of the Group	EUR64,388
Directors of the Company	EUR41,338

The remuneration of the Executive Directors is disclosed in the Key Management Personnel note to the financial statements.

The Non-Executive Directors have no arrangement for profit sharing, share options or pension benefits as part of their remuneration.

Board of Directors

The Board is aware of its corporate social responsibilities in terms of the Code and seeks to adhere, as far as possible within the various constraints inherent in the Company, to its obligations set forth in the said Code.

DIRECTORS' STATEMENT OF COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

Further Information – continued

In general the Directors believe that the Company has adopted appropriate structures to achieve an adequate level of Good Corporate Governance, together with an adequate system of checks and balances in line with the Company's requirements.

Control environment

The Company is committed to the highest standards of business conduct and seeks to maintain these standards across all of its operations. Company policies and employee procedures are in place for the reporting and resolution of improper activities.

The Company has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve Company objectives.

The Memorandum and Articles of Association of the Company regulate the appointment of the Directors. Appointment of Directors is reserved exclusively to the Company's shareholders. Every shareholder owning, or group of shareholders who own together, not less than 10% of the ordinary share capital are entitled to appoint one Director for every such 10% holding.

The Chairman, Board of Directors and Auditors are all appointed by the shareholders during the Annual General Meeting. All Directors may be removed from their post either by the shareholders who appointed them or else by the passing of an Ordinary Resolution in the General Meeting. The Directors hold office for a period of one year, unless they resign or are removed or are appointed for periods other than one year. Once the period stated in their letter of appointment lapses, the Directors would be eligible for re-appointment.

Dealings by Directors and Senior Officers

Directors and Senior Officers are informed and are aware of their obligations on dealings in securities of the Company within the established parameters of the law and the Listing Rules. Mr Anthony P. Demajo was appointed Designated Director of the Company for the purposes of the "Code of Conduct for Securities Transactions". There were no reported breaches of such obligations during the year under review.

Going concern

In accordance with Listing Rule 5.62, the Directors have considered the Company's operating performance, the statement of financial position at year end, and they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, in preparing the financial statements, they continue to adopt the going concern basis in preparing the financial statements set out on pages 14 to 62. Note 2 to the financial statements, details the going concern assessment.

Approved by the Board of Directors on 24 October 2018 and signed on its behalf by:

WALTER BONNICI
Chairman

JOSEPH FENECH CONTI
Director

STATEMENT OF COMPREHENSIVE INCOME – Group
for the year ended 30 June 2018

	Notes	2018 EUR	2017 EUR
Revenue	3	**3,897,951**	3,476,867
Purchases and other directly attributable costs	3	**(489,731)**	(267,164)
Personnel expenses	3, 4	**(1,661,683)**	(1,687,696)
Professional and consultancy fees		**(85,235)**	(82,599)
Travelling and accommodation		**(107,390)**	(137,363)
Marketing expenses		**(42,337)**	(70,381)
Other administrative expenses	5	**(340,154)**	(241,649)
Operating profit before depreciation and amortisation		**1,171,421**	990,015
Depreciation amortisation and impairment	3, 8, 9	**(521,090)**	(345,329)
Finance costs	3	**(8,289)**	(160,672)
Profit before tax		**642,042**	484,014
Income tax expense	6	**-**	-
Profit for the year		**642,042**	484,014
Other comprehensive income		**-**	-
Total comprehensive income for the year net of tax		**642,042**	484,014
Attributable to:			
Owners of the parent		**642,042**	484,014
Non-controlling interest		**-**	-
		642,042	484,014
Profit per share - basic	7.1	**2c0**	1c5

The accounting policies and explanatory notes on pages 23 to 62 form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION – Group
as at 30 June 2018

	Notes	2018	2017
		EUR	EUR
ASSETS			
Non-current assets			
Property, plant and equipment	8	**76,652**	79,206
Intangible assets	9	**6,361,168**	5,850,535
		6,437,820	5,929,741
Current assets			
Inventories	13	**14,168**	18,665
Trade and other receivables	14	**1,807,799**	1,823,048
Cash at bank	18	**62,974**	248,716
		1,884,941	2,090,429
TOTAL ASSETS		**8,322,761**	8,020,170

The accounting policies and explanatory notes on pages 23 to 62 form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION – Group
as at 30 June 2018

	Notes	2018 EUR	2017 EUR
EQUITY AND LIABILITIES			
Equity			
Issued capital	15.1	**7,430,457**	7,430,457
Share premium	15.2	**847,101**	847,101
Capital redemption reserve	15.3	**121,554**	121,554
Accumulated losses		**(5,916,744)**	(6,558,786)
Equity attributable to owners of the parent		**2,482,368**	1,840,326
Non-controlling interest		**-**	-
Total equity		**2,482,368**	1,840,326
Non-current liabilities			
Interest bearing loans and borrowings	16	**822,294**	745,343
Current liabilities			
Interest bearing loans and borrowings	16	**323,194**	357,375
Trade and other payables	17	**4,694,905**	5,077,126
		5,018,099	5,434,501
Total liabilities		**5,840,393**	6,179,844
TOTAL EQUITY AND LIABILITIES		**8,322,761**	8,020,170

The accounting policies and explanatory notes on pages 23 to 62 form an integral part of the financial statements.

The financial statements on pages 14 to 62 have been authorised for issue by the Board of Directors on 24 October 2018 and were signed on its behalf by:

WALTER BONNICI
Chairman

JOSEPH FENECH CONTI
Director

STATEMENT OF CHANGES IN EQUITY – Group
for the year ended 30 June 2018

	Attributable to equity holders of the parent						
	Issued capital EUR	**Share premium EUR**	**Capital redemption reserve EUR**	**Accumulated losses EUR**	**Total EUR**	**Non-controlling interest EUR**	**Total equity EUR**
FOR THE YEAR ENDED 30 June 2017							
At 1 July 2016	7,430,457	847,101	121,554	(7,042,800)	**1,356,312**	-	**1,356,312**
Profit for the year	-	-	-	484,014	**484,014**	-	**484,014**
Other comprehensive income	-	-	-	-	**-**	-	**-**
Total comprehensive income	-	-	-	484,014	**484,014**	-	**484,014**
At 30 June 2017	**7,430,457**	**847,101**	**121,554**	**(6,558,786)**	**1,840,326**	**-**	**1,840,326**
FOR THE YEAR ENDED 30 June 2018							
At 1 July 2017	7,430,457	847,101	121,554	(6,558,786)	**1,840,326**	-	**1,840,326**
Profit for the year	-	-	-	642,042	**642,042**	-	**642,042**
Other comprehensive income	-	-	-	-	**-**	-	**-**
Total comprehensive income	-	-	-	642,042	**642,042**	-	**642,042**
At 30 June 2018	**7,430,457**	**847,101**	**121,554**	**(5,916,744)**	**2,482,368**	**-**	**2,482,368**

The accounting policies and explanatory notes on pages 23 to 62 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS – Group
for the year ended 30 June 2018

	Notes	2018 EUR	2017 EUR
Operating activities			
Profit before tax		**642,042**	484,014
Non-cash adjustment to reconcile loss before tax to net cash flows:			
Profit on sale of property, plant and equipment		**-**	-
Depreciation and amortisation	8, 9	**521,090**	345,329
Provision for impairment of receivables	14	**41,175**	1,077
Write-off of receivables	5	**330**	60
Interest expense		**8,289**	160,672
Interest income		**-**	-
Provision for currency exchange differences	5	**(3,438)**	(1,736)
Write-off for obsolete inventory		**6,510**	3,080
Working capital adjustments:			
Movement in inventories		**(2,013)**	4,030
Movement in trade and other receivables		**(22,278)**	75,999
Movement in trade and other payables		**(305,489)**	(127,339)
		886,218	945,186
Interest paid		**(15,275)**	(1,396)
Interest received		**-**	-
Income tax paid	6	**-**	(1,847)
Net cash flows generated from operating activities		**870,943**	941,943
Investing activities			
Proceeds from sale of property, plant and equipment		**-**	-
Payment to acquire property, plant and equipment	8	**(19,646)**	(12,199)
Payments to acquire intangible assets	9	**(1,009,523)**	(907,369)
Net cash flows used in investing activities		**(1,029,169)**	(919,568)
Financing activities			
Repayment of interest-bearing borrowings		**-**	-
Net cash flows used in financing activities		**-**	-
Net movement in cash and cash equivalents		**(158,226)**	22,375
Cash and cash equivalents at beginning of year		**128,732**	106,357
Cash and cash equivalents at end of year	18	**(29,494)**	128,732

The accounting policies and explanatory notes on pages 23 to 62 form an integral part of the financial statements.

STATEMENT OF COMPREHENSIVE INCOME – Company
for the year ended 30 June 2018

	Notes	2018 EUR	2017 EUR
Revenue		**-**	-
Personnel expenses	4	**(46,228)**	(47,018)
Professional and consultancy fees		**(3,065)**	(2,537)
Other administrative expenses	5	**(22,608)**	(22,431)
Operating loss		**(71,901)**	(71,986)
Finance income		**96,002**	90,636
Finance costs		**(96,237)**	(90,937)
Loss before tax		**(72,136)**	(72,287)
Income tax credit	6	**-**	-
Loss for the year		**(72,136)**	(72,287)
Other comprehensive income		**-**	-
Total comprehensive expense for the year net of tax		**(72,136)**	(72,287)
Loss per share - basic	7.1	**(0c2)**	(0c2)

The accounting policies and explanatory notes on pages 23 to 62 form an integral part of the financial statements.

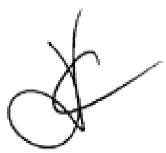
STATEMENT OF FINANCIAL POSITION – Company
as at 30 June 2018

	Notes	2018 EUR	2017 EUR
ASSETS			
Non-current assets			
Investment in subsidiaries	10	**9,657,035**	9,657,035
Current assets			
Trade and other receivables	14	**8,340**	8,101
Cash at bank and in hand	18	**18**	18
		8,358	8,119
TOTAL ASSETS		**9,665,393**	9,665,154
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	15.1	**7,430,457**	7,430,457
Share premium	15.2	**847,101**	847,101
Accumulated losses		**260,028**	332,164
		8,537,586	8,609,722
Non-current liabilities			
Interest bearing loans and borrowings	16	**822,294**	745,343
Current liabilities			
Interest bearing loans and borrowings	16	**230,726**	237,391
Trade and other payables	17	**74,787**	72,698
		305,513	310,089
Total liabilities		**1,127,807**	1,055,432
TOTAL EQUITY AND LIABILITIES		**9,665,393**	9,665,154

The accounting policies and explanatory notes on pages 23 to 62 form an integral part of the financial statements.

The financial statements on pages 14 to 62 have been authorised for issue by the Board of Directors on 24 October 2018 and were signed on its behalf by:

WALTER BONNICI
Chairman



JOSEPH FENECH CONTI
Director

STATEMENT OF CHANGES IN EQUITY – Company
for the year ended 30 June 2018

	Issued capital EUR	Share premium EUR	Accumulated losses EUR	Total EUR
FOR THE YEAR ENDED 30 JUNE 2017				
At 1 July 2016	7,430,457	847,101	404,451	**8,682,009**
Loss for the year	-	-	(72,287)	**(72,287)**
Other comprehensive income	-	-	-	**-**
Total comprehensive expense	-	-	(72,287)	**(72,287)**
At 30 June 2017	**7,430,457**	**847,101**	**332,164**	**8,609,722**
FOR THE YEAR ENDED 30 JUNE 2018x				
At 1 July 2017	7,430,457	847,101	332,164	**8,609,722**
Loss for the year	-	-	(72,136)	**(72,136)**
Other comprehensive income	-	-	-	**-**
Total comprehensive expense	-	-	(72,136)	**(72,136)**
At 30 June 2018	**7,430,457**	**847,101**	**260,028**	**8,537,586**

The accounting policies and explanatory notes on pages 23 to 62 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS – Company
for the year ended 30 June 2018

	Notes	2018 EUR	2017 EUR
Operating activities			
(Loss)/profit before tax		**(72,136)**	(72,287)
Non-cash adjustment to reconcile (loss)/profit before tax to net cash flows:			
Finance cost		**96,237**	90,937
Finance income		**(96,002)**	(90,636)
Working capital adjustments:			
Movement in trade and other receivables		**-**	-
Movement in trade and other payables		**71,901**	71,834
		-	(152)
Interest paid		**-**	-
Net cash flows generated from operating activities		**-**	(152)
Financing activities			
Repayment of amounts due to related parties		**-**	-
Net cash flows used in financing activities		**-**	-
Net movement in cash and cash equivalents		**-**	(152)
Cash and cash equivalents at beginning of year		**18**	170
Cash and cash equivalents at end of year	18	**18**	18

The accounting policies and explanatory notes on pages 23 to 62 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Loqus Holdings p.l.c (the "Company") is a public liability company, incorporated in Malta on 23 October 2000. The consolidated financial statements of the Company for the year ended 30 June 2018 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in an associated company. The Group is primarily involved in the provision of fleet management, back-office processing and ICT solutions.

2.1 BASIS OF PREPARATION

The consolidated and separate financial statements (the "financial statements") have been prepared on a historical cost basis.

The financial statements have been prepared in accordance with the requirements of the Companies Act, Cap. 386 of the Laws of Malta and in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Going Concern

On the basis of the progress made by the Group, the Directors are of the opinion that cash flows are sufficient to meet present and future commitments and liabilities of the Company and the Group as and when they fall due.

These financial statements have been prepared on a going concern basis which assumes that the Group will continue in existence for the foreseeable future. The Directors have a reasonable expectation that the Group has adequate resources to improve its liquidity and to take the necessary decisions to continue in operational existence for the foreseeable future.

2.2 BASIS OF CONSOLIDATION

Basis of consolidation from 1 July 2009

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2018.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, income and expenses, unrealised gains and losses and dividends resulting from intra-group transactions are eliminated in full. A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.
If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS – continued

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial period except as follows:

The Group and the Company have adopted the amendments to IAS12 entitled "Recognition of Deferred Tax Assets for Unrealised Losses". These amendments are effective for annual periods beginning on or after 1 January 2017. The amendments in Recognition of Deferred Tax Assets for Unrealised Losses clarify the following aspects:

(i) Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
(ii) The carrying amount of an asset does not limit the estimation of probable future taxable profits.
(iii) Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. An entity assesses a deferred tax asset in combination with other deferred tax assets.
(iv) Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The adoption of these amendments did not have a significant impact on these financial statements.

The Group and the Company have adopted the amendments to IAS7 entitled "Disclosure Initiative". These amendments are effective for annual periods beginning on or after 1 January 2017. The amendments in Disclosure Initiative (Amendments to IAS 7) has the objective that entities shall provide disclosures within the Statement of Cashflows that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

To achieve this objective, entities are required to disclose separately, to the extent necessary, changes in liabilities arising from financing activities arising from:
(i) changes from financing cash flows;
(ii) changes arising from obtaining or losing control of subsidiaries or other businesses;
(iii) the effect of changes in foreign exchange rates;
(iv) changes in fair values; and
(v) other changes.

IASB defines liabilities arising from financing activities as liabilities "for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities". It also stresses that the new disclosure requirements also relate to changes in financial assets if they meet the same definition.

The amendments state that one way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities. The amendment is to be applied prospectively.

The adoption of these amendments did not have a significant impact on these financial statements.

NOTES TO THE FINANCIAL STATEMENTS – continued

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES – continued

The accounting policies adopted are consistent with those of the previous financial period except as follows - continued:

The Group and the Company have adopted the amendments emanating from the annual improvements to IFRS Standards 2014 – 2016 Cycle. These amendments are effective for annual periods beginning on or after 1 January 2017. The amendments are:

(i) Deletion of the short-term exemption on first time adoption of IFRS 1 since these have served their purpose.
(ii) Clarification that the disclosure requirements in IFRS 12 (with minor exceptions) apply to entity's interests that are classified as held for sale, held for distribution or as discontinued operations in accordance with IFRS 5.
(iii) Clarified that the election to measure at fair value through profit or loss an investment in associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment by investment basis upon initial recognition

The adoption of these amendments did not have a significant impact on these financial statements.

Standards, interpretations and amendments to published standards as adopted by the EU that are not yet effective during the current financial period:

Up to the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective for the current reporting period and which the Group has not yet adopted.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group and the Company are presently assessing the impact of IFRS 15.

The main revenue streams of the Group are included below:

- Fleet management – the Group charges one-time fees and/or periodic fees in relation to its Vehicle and Marine Tracking Systems and On the Move Logistics;
- Original Equipment Manufacturers – the Group charges periodic fees in relation to its Fleet Management contracts with resellers under their own name and branding;
- Back-office processing – the Group earns revenue from a variety of high level, off site services to support entities;
- Projects – the Group's revenues in this respect arise from contracts with clients in connection with the selection and implementation of appropriate ICT solutions.

NOTES TO THE FINANCIAL STATEMENTS – continued

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES – continued

Standards, interpretations and amendments to published standards as adopted by the EU that are not yet effective during the current financial period - continued:

The Group and the Company have identified a number of key considerations that need to be made in terms of IFRS 15, which considerations focus on the 5-step model to revenue recognition and include but are not necessarily limited to the following:

- Step 1: Identify the contract(s) with a customer – The Group and the Company will be required to identify those contracts that meet the recognition criteria under the standard and assess whether multiple contracts need to be combined for the purpose of this assessment;
- Step 2: Identify the performance obligations in the contract – The Group and the Company will be required to assess the number of performance obligations resulting from such customer contracts based on the specific criteria established in IFRS 15;
- Step 3: Determine the transaction price – where the transaction price includes variable consideration, the Group and the Company will be required to select an estimation method that is expected to better predict the amount of consideration to which they are entitled, subject to the constraint on variable consideration. The guidance on significant financing component will need to be applied if the timing of payments differs from the transfer of control of goods or services, subject to the optional practical expedient for differences that are one year or less;
- Step 4: Allocate the transaction price to the performance obligations in the contract – The transaction price will be required to be allocated to the different performance obligations on a relative stand-alone selling price basis. The Group and the Company will be required to determine whether observable prices for the different performance obligations are available and in their absence, estimate the price using the specific guidance in the Standard.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation – The Group and the Company will be required to recognise revenue when (or as) they satisfy a performance obligation by transferring a promised good or service to a customer.

The additional guidance in the Standard, including but not limited to upfront fees, customer options for additional goods or services, breakages, licenses and costs will also be required to be assessed in terms of the new Standard. Further disclosures will need to be provided in terms of the new requirements in IFRS 15.

The Group and the Company are still in the process of assessing the full impact of the application of IFRS 15.

IFRS 9, 'Financial Instruments', brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces a logical approach for the classification of financial instruments, which is driven by cash flow characteristics and the business model in which an asset is held. The principal-based approach replaces existing rule based requirements that are generally considered to be overly complex and difficult to apply. The new model also results in single, forward-looking 'expected loss' impairment model that will require more timely recognition of expected credit losses. The Standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

NOTES TO THE FINANCIAL STATEMENTS – continued

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES – continued

Standards, interpretations and amendments to published standards as adopted by the EU that are not yet effective during the current financial period - continued:

Key requirements of IFRS 9:

- all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss;
- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss;
- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised; and
- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

NOTES TO THE FINANCIAL STATEMENTS – continued

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES – continued

Standards, interpretations and amendments to published standards as adopted by the EU that are not yet effective during the current financial period - continued:

An evaluation of the impact of adoption of IFRS 9 indicates that the majority of financial assets will continue to be measured at amortised cost using the effective interest method on the same basis as is currently adopted under IAS 39 and will be subject to impairment provisions of IFRS 9. IFRS 9 requires the Group to recognise expected credit losses on these financial assets, either on a 12-month or lifetime basis. The Group will apply the simplified approach and recognise lifetime expected losses on trade receivables without a significant financing component. At 30 June 2018, the impact of such a basis would result in an increase of EUR6,652 in the impairment provision on receivables. For the remaining financial assets that will need to be assessed for impairment in terms of IFRS 9, lifetime expected credit losses will apply if there is a significant increase in credit risk at the reporting date. The Group may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. The Group does not except any material changes to measurement of financial liabilities since amendments principally relate to financial liabilities at fair value through profit or loss.

IFRS 16, 'Leases', at its simplest level, fundamentally changes the accounting treatment of leases by lessees. Fundamentally. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting.

Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases.

For lessees, the lease becomes an on-balance sheet liability that attracts interest, together with a new asset on the other side of the balance sheet. In other words, lessees will appear to become more asset-rich but also more heavily indebted.

The impacts are not limited to the balance sheet. There are also changes in accounting over the life of the lease. In particular, companies will now recognise a front-loaded pattern of expense for most leases, even when they pay constant annual rentals.

All companies will need to assess the extent of the standard's impacts so that they can address the wider business implications and can expect analysts to take a close interest. IFRS 16 supersedes IAS 17 'Leases' and related interpretations. IFRS16 is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted for companies that also apply IFRS 15.

The Group and the Company are still in the process of assessing the full impact of the application of IFRS 16.

NOTES TO THE FINANCIAL STATEMENTS – continued

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES – continued

Standards, interpretations and amendments to published standards as adopted by the EU that are not yet effective during the current financial period - continued:

Amendments to IFRS 2, 'Classification and Measurement of Share-based Payment Transactions'. The amendments are intended to eliminate diversity in practice, but are narrow in scope and address specific areas of classification and measurement. The Standard is effective for annual periods beginning on or after 1 January 2018 The clarification addresses three main areas:

i) The effect of vesting conditions on share-based payment transactions. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments.

ii) The classification of a share-based payment transaction with net settlement features for withholding tax obligations. This amendment adds an exception to address the narrow situation where the net settlement arrangement is designed to meet an entity's obligation under tax laws or regulations to withhold a certain amount in order to meet the employee's tax obligation associated with the share-based payment. This amount is then transferred, normally in cash, to the tax authorities on the employee's behalf. To fulfil this obligation, the terms of the share-based payment arrangement may permit or require the entity to withhold the number of equity instruments that are equal to the monetary value of the employee's tax obligation from the total number of equity instruments that otherwise would have been issued to the employee upon exercise (or vesting) of the share-based payment ('net share settlement feature'). Where transactions meet the criteria, they are not divided into two components but are classified in their entirety as equity-settled share-based payment transactions, if they would have been so classified in the absence of the net share settlement feature.

iii) The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendment clarifies that, if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. Any difference (whether a debit or a credit) between the carrying amount of the liability derecognised and the amount recognised in equity on the modification date is recognised immediately in profit or loss.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. Early application is permitted.

The Group and the Company are still in the process of assessing the full impact of the application of amendments to IFRS 2.

NOTES TO THE FINANCIAL STATEMENTS – continued

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES – continued

Standards, interpretations and amendments to published standards as adopted by the EU that are not yet effective during the current financial period - continued:

Amendments to IAS 40, 'Investment Property'. The amendments apply to transfers of investments property and clarifies that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of the property by itself does not constitute evidence of a change in use. The list of evidence included in IAS 40 was also designated as non-exhaustive. The Standard is effective for annual periods beginning on or after 1 January 2018.

IFRIC 22, 'Foreign Currency Transactions and Advance Considerations'. The IFRIC clarifies the accounting treatment for transactions that included the receipt or payment of advance consideration in a foreign currency. As per IFRIC 22, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it), is the date on which the entity recognises the non-monetary asset or the non-monetary liability arising from the payment or receipt of advance consideration. The Standard is effective for annual periods beginning on or after 1 January 2018, with earlier application being permitted.

The Group and the Company are still in the process of assessing the full impact of the application of amendments to IFRIC 22.

Standards, interpretations and amendments issued by the International Accounting Standards Board (IASB) but not yet adopted by the European Union:

IFRIC 23 'Uncertainty Over Income Tax Treatments' clarifies application of recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments.

IAS 28 Amendment 'Long-term Interests in Associates and Joint Ventures' was issued on 12 October 2017. The amendment is intended to clarify that the entity applies IFRS 9 including its impairment requirements to long-term interests in associate or joint venture that form part of the net investment in associate or joint venture but to which the equity method is not applied.

Annual improvement to IFRS Standards 2015–2017 Cycle was issued on 12 December 2017. The amendments clarify that:

- IFRS 3, 'Business Combinations': When an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business.
- IFRS 11, 'Joint Arrangements': When an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- IFRS 12, 'Income Taxes': The requirement to recognise the income tax consequence of dividends where the transactions or events that generate distributable profits are recognised are applicable to all income tax consequences of dividends.
- IAS 23, 'Borrowing Cost': Clarifies that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

NOTES TO THE FINANCIAL STATEMENTS – continued

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES – continued

References to Conceptual Framework Amendments was issued on 29 February 2018. The amendments include a new chapter on measurement, guidance on reporting financial performance, improvement definition of an asset and a liability and clarification on important areas such as the role of stewardship, prudence and measurement uncertainty in financial reporting

The Directors are assessing the potential impact that the adoption of the above International Financial Reporting Standards will have in the financial statements of the Group and Company in the period of initial application. The Directors anticipate that the adoption of the International Financial Reporting Standards that were in issue up to the date of authorisation of these financial statements but not yet effective, other than the above, will have no material impact on the financial statements of the Group and Company in the period of initial application.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting polices set out below have been applied consistently to all years presented in these financial statements and have been applied consistently by the Group/Company.

Foreign currency translation

The separate and consolidated financial statements are presented in Euro, which is the Group/Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using the functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date, whereas non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Gains and losses arising from such foreign exchange translations are taken to the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS – continued

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue recognition

In general, revenue is measured at the fair value of the consideration received or receivable and is recognised to the extent that it is probable that the economic benefits will flow to the Group/Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Revenue from services rendered

Revenue from services rendered is recognised in the statement of comprehensive income in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to the proportion of contract costs incurred for work performed to date as a percentage to the estimated total costs. The excess of revenue measured at a percentage completion over the revenue recognised in prior periods is the revenue for the period.

Interest income

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as available-for-sale, interest income/expense is recorded using the effective interest rate (EIR). Interest income is included with finance income in the statement of comprehensive income.

Dividend income

Revenue is recognised when the right to receive the payment is established.

Taxes

Current tax

Current tax assets and liabilities for the current year and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax

Deferred income 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 income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is 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.

NOTES TO THE FINANCIAL STATEMENTS – continued

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Taxes – continued

Deferred income tax – continued

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to 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 the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

VAT

Revenues, expenses and assets are recognised net of the amount of sales tax/value added tax except:

- where the sales tax/value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax/value added tax is recognised as part of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of sales tax/value added tax included.

The net amount of sales tax/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.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the years necessary to match the grants on a systematic basis to the costs that are intended to compensate.

Employee benefits

The Group/Company contributes towards the State pension defined contribution plan in accordance with local legislation and to which it has no commitment beyond the payment of fixed contributions. Related costs are recognised as an expense in the statement of comprehensive income during the year these are incurred.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised. All other borrowing costs are recognised as an expense when incurred.

NOTES TO THE FINANCIAL STATEMENTS – continued

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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 in the year the asset is derecognised.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of comprehensive income as incurred.

Depreciation is calculated on a straight line basis over the useful life of each part of an item of property, plant and equipment. A depreciation charge equivalent to a half year's depreciation is charged for the year in which the asset is first brought into use and a half year's depreciation is charged during the year in which the asset is disposed of or scrapped.

The estimated lives for the current and comparative periods are as follows:

• Furniture, fittings and equipment	4 - 10 years
• Motor vehicles	5 years
• Factory improvements	over the remaining period of the lease

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each reporting date.

Leased assets

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

NOTES TO THE FINANCIAL STATEMENTS – continued

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the 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 the statement of comprehensive income. Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group/Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight line basis over the lease term.

Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating and operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as income.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, development expenditure are carried out at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of future consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in the accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset. The amortisation period for the intangibles category is as follows:

- Capitalised development costs 5 years
- Acquired computer software 4 years

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the statement of comprehensive income when incurred.

NOTES TO THE FINANCIAL STATEMENTS – continued

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Goodwill

The definition of an intangible asset requires an intangible asset to be identifiable to distinguish it from goodwill. Goodwill recognised in a business combination is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised. The future economic benefits may result from synergy between the identifiable assets acquired or from assets that, individually, do not qualify for recognition in the financial statements.

Goodwill is measured at cost less accumulated impairment losses. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment.

Research and development

Research costs, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are expensed as incurred.

Development expenditure on an individual project is recognised as an intangible asset when the Company can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale
- its intention to complete and its ability to use or sell the asset
- how the asset will generate future economic benefits
- the availability of resources to complete the asset and
- the ability to measure reliably the expenditure during development.

A summary of the policies applied to the Company’s intangible assets is as follows:

	Development cost	Acquired computer software
Useful lives	Finite	Finite
Amortisation method used	Amortised on a straight line method	Amortised on a straight line method
Internally generated or acquired	Internally generated	Acquired

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in-first-out principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

NOTES TO THE FINANCIAL STATEMENTS – continued

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Impairment of assets

Financial assets

The Group/Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the receivables or a group of receivables is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost, the Group/Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group/Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the statement of comprehensive income.

Non-financial assets

The Group/Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group/Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

NOTES TO THE FINANCIAL STATEMENTS – continued

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Impairment of assets – continued

Non-financial assets – continued

Impairment losses of continuing operations are recognised in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group/Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior periods. Such reversal is recognised in the statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill

Goodwill is tested for impairment annually as at year end and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than its carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets

Intangible assets with finite useful lives are tested for impairment whenever there is an indication that the intangible asset may be impaired.

Investment in associate

The Group's investment in its associate is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is not amortised nor separately tested for impairment. The statement of comprehensive income reflects the share of the results of operations of the associate. When there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The share of profit of associates is shown on the face of the statement of comprehensive income. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associates.

NOTES TO THE FINANCIAL STATEMENTS – continued

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Investment in associate – continued

The financial statements of the associate are prepared for the same reporting year as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the statement of comprehensive income.

Investment in subsidiaries

The investment in subsidiary companies, which are unlisted, are stated at cost. Provision is made, where in the opinion of the directors, there is a permanent diminution in value. Income from the investment is recognised only to the extent of the distributions received by the Company.

Trade and other receivables

Receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred. Receivables from related parties are recognised and carried at cost.

Cash and cash equivalents

Cash in hand and at banks in the statement of financial position comprise cash at banks and in hand.

Cash and cash equivalents are defined as cash in hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any outstanding bank overdrafts.

Trade and other payables

Liabilities for amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group/Company. Payables to related parties are carried at cost.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less direct attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS – continued

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired; or
- the Group/Company 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) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group/Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's/Company's continuing involvement in the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is either discharged or cancelled or expires. Where 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

Unrealised profits

Part II of the Third Schedule to the Companies Act, Cap. 386 of the Laws of Malta, requires that only profits/losses realised at the reporting date may be included in retained earnings available for distribution. Any unrealised profits/losses at this date, taken to the statement of comprehensive income, are transferred to a non-distributable reserve.

Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS – continued

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In preparing the financial statements, management is 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 year the changes become known. The most significant judgements and estimates are as follows:

Impairment of non-financial assets

The Group's impairment for goodwill is based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the budget for the next three years as approved by management. Cash flow projections beyond this period are extrapolated for the next eight years using a steady growth rate, after which the terminal value is calculated. These budgets do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the Group. The recoverable amount is most sensitive to the growth rate used as well as the expected future net cash-inflows and discount rate used for the discounted cash flow model. The key assumptions used to determine the recoverable amount, including a sensitivity analysis, are further explained in note 9.1.

Going concern

Management has made an assessment of the company's ability to continue as a going concern and is satisfied that the company has the resources to continue in business for the foreseeable future. Note 2.1 to the financial statements details the going concern assessment.

Development costs

Development costs are capitalised in accordance with the accounting policy in note 2.4. Initial capitalisation of costs is based on management's judgement that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected year of benefits. At 30 June 2018, the carrying amount of capitalised development costs was EUR1,933,246 (2017: EUR1,422,613).

In the opinion of 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 critical in terms of the requirements of IAS 1 (revised) 'Presentation of financial statements'.

NOTES TO THE FINANCIAL STATEMENTS – continued

3. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services as follows:

- Fleet management - Vehicle and Marine Tracking Systems and On the Move Logistics Solutions including tailor-made solutions as well as off-the-shelf packages. This department previously also incorporated products and services which are now classified within Original Equipment Manufacturers in view of the incorporation of Loqus Fleet Limited.
- Original Equipment Manufacturers – This includes Fleet Management contracts which the Group holds with resellers under their own name and branding.
- Back-office processing - variety of high level, off site services to support entities.
- Projects - assist clients in selecting appropriate ICT solutions and in implementing them.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit and loss in the consolidated financial statements. Corporate expenses are allocated based on the segmental revenues. However, the Group assets and liabilities are managed on a Group basis and are not allocated to operating segments.

Group

2018	**Fleet management**	**Original Equipment Manufacturers**	**Back office processing**	**Projects**	**Consolidated**
	EUR	**EUR**	**EUR**	**EUR**	**EUR**
Revenue	1,453,564	176,132	2,107,955	160,300	**3,897,951**
Purchases and other directly attributable costs	(372,764)	(15,125)	(224,542)	122,700	**(489,731)**
Personnel expenses	(384,949)	(27,180)	(1,053,507)	(196,047)	**(1,661,683)**
Other expenses	(163,307)	(15,507)	(323,585)	(72,717)	**(575,116)**
Operating profit before depreciation and amortisation	532,544	118,320	506,321	14,236	**1,171,421**
Depreciation and amortisation	(275,579)	(38,023)	(133,392)	(74,096)	**(521,090)**
Finance cost	(1,787)	(217)	(5,605)	(680)	**(8,289)**
Profit/(Loss) before tax	**255,178**	**80,080**	**367,324**	**(60,540)**	**642,042**

NOTES TO THE FINANCIAL STATEMENTS – continued

3. SEGMENT INFORMATION – continued

2017	Fleet management	Original Equipment Manufacturers	Back office processing	Projects	Consolidated
	EUR	EUR	EUR	EUR	EUR
Revenue	996,795	195,249	1,901,445	383,378	**3,476,867**
Purchases and other directly attributable costs	(234,983)	(47,661)	(184,256)	199,736	**(267,164)**
Personnel expenses	(342,849)	(3,333)	(1,006,566)	(334,948)	**(1,687,696)**
Other expenses	(195,788)	(13,176)	(228,497)	(94,531)	**(531,992)**
Operating profit before depreciation and amortisation	223,175	131,079	482,126	153,635	**990,015**
Depreciation and amortisation	(150,519)	(38,286)	(86,389)	(70,135)	**(345,329)**
Finance cost	(34,605)	(6,778)	(96,654)	(22,635)	**(160,672)**
Profit before tax	**38,051**	**86,015**	**299,083**	**60,865**	**484,014**

There is no inter-segment revenue and all revenue was generated from external customers.

Revenue by geographical markets	Local	Europe	Middle East & South Africa	Australasia	Total
	EUR	EUR	EUR	EUR	EUR
2018	**2,631,245**	**1,170,798**	**71,954**	**23,954**	**3,897,951**
2017	2,556,369	800,500	77,429	42,569	3,476,867

NOTES TO THE FINANCIAL STATEMENTS – continued

4. PERSONNEL EXPENSES

Personnel expenses incurred by the Group/Company during the year are analysed as follows:

	Group		Company	
	2018	2017	**2018**	2017
	EUR	EUR	**EUR**	EUR
Directors' emoluments	**64,388**	65,944	**41,338**	41,944
Wages and salaries	**2,484,549**	2,414,532	**4,890**	5,074
Social security defined contribution costs	**122,269**	114,589	**-**	-
	2,671,206	2,595,065	**46,228**	47,018
Capitalised labour costs (note 9)	**(1,009,523)**	(907,369)	**-**	-
Total personnel expenses	**1,661,683**	1,687,696	**46,228**	47,018

Social security defined contribution costs relating to Directors amount to EUR4,340 (2017: EUR5,391).

Directors' emoluments relate to Directors fees. Directors' remuneration and other key management personnel costs are disclosed in more detail in Note 20.

The average number of persons employed by the Group/Company during the years ended 30 June 2018 and 2017, was as follows:

	Group		Company	
	2018	2017	**2018**	2017
	No.	No.	**No.**	No.
Operating	**75**	73	**-**	-
Administration	**15**	15	**-**	-
	90	88	**-**	-

NOTES TO THE FINANCIAL STATEMENTS – continued

5. OTHER ADMINISTRATIVE EXPENSES

	Group		Company	
	2018	2017	**2018**	2017
	EUR	EUR	**EUR**	EUR
Auditor's remuneration	**26,525**	28,279	**3,017**	3,288
Bank charges	**3,389**	5,631	**35**	18
Creditors Write-Off	**-**	(66,307)	**-**	-
Fuel and Oil	**26,102**	21,198	**-**	-
Insurances	**41,644**	38,139	**-**	-
Licenses and subscriptions	**13,040**	15,544	**23**	23
Listing and registration fees	**15,334**	15,460	**11,734**	11,642
Motor Vehicles	**9,869**	7,645	**-**	-
Movement in provision for impairment of receivables (note 14)	**41,175**	(1,077)	**-**	-
Movement in unrealised currency exchange	**(3,438)**	(1,736)	**-**	-
Printing Expenses	**11,636**	10,275	**7,799**	7,460
Receivables written off	**330**	60	**-**	-
Rent	**44,783**	38,133	**-**	-
Staff Training	**(1,132)**	18,754	**-**	-
Telecommunications	**25,258**	38,352	**-**	-
Water and electricity	**20,265**	23,071	**-**	-
Write-Off of stock	**6,510**	3,080	**-**	-
Other expenses	**58,864**	47,148	**-**	-
	340,154	241,649	**22,608**	22,431

Group

Professional and Consultancy fees included remuneration payable to the company's auditor for tax compliance services of EUR3,163 (2017: EUR2,840).

Company

Professional and Consultancy fees included remuneration payable to the company's auditor for tax compliance services of EUR413 (2017: EUR295).

6. INCOME TAX

The taxation charge for the year is comprised of the following:

	Group		Company	
	2018	2017	**2018**	2017
	EUR	EUR	**EUR**	EUR
Current tax charge				
- current year	**-**	-	**-**	-
- over provision in prior period	**-**	-	**-**	-
	-	-	**-**	-

NOTES TO THE FINANCIAL STATEMENTS – continued

6. INCOME TAX – continued

The taxation on profit/(loss) before tax differs from the theoretical taxation expense that could apply on the Company's profit on ordinary activities before taxation using the applicable taxation in Malta of 35% as follows:

	Group		Company	
	2018	2017	**2018**	2017
	EUR	EUR	**EUR**	EUR
Profit/(loss) before tax	**642,042**	484,014	**(72,136)**	(72,287)
Theoretical taxation (expense)/credit at domestic income tax rate 35%	**(224,715)**	(169,405)	**25,248**	25,300
Tax effect of:				
- Income not subject to tax	**-**	10,546	**-**	-
- Non-deductible expenses	**(30,940)**	(27,661)	**(25,248)**	(25,300)
- Deferred tax not recognised	**255,652**	186,502	**-**	-
- Other differences	**3**	18	**-**	-
Tax charge	**-**	-	**-**	-

7. EARNINGS PER SHARE

7.1 Basic earnings per share

The calculation of basic earnings per share is based on the consolidated profit for the year attributable to the ordinary equity holders and the Company's (loss)/profit divided by the average number of equity shares outstanding during the year.

	Group		Company	
	2018	2017	**2018**	2017
	EUR	EUR	**EUR**	EUR
Profit/(loss) attributable to the ordinary equity holders/Company	**642,042**	484,014	**(72,136)**	(72,287)
Average number of equity shares outstanding during the year	**31,899,000**	31,899,000	**31,899,000**	31,899,000
Basic profit/(loss) per share attributable to the ordinary equity holders/Company	**2c0**	1c5	**(0c2)**	(0c2)

7.2 Diluted earnings per share

As at the reporting date there are no instruments that could dilute ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS – continued

8. PROPERTY, PLANT AND EQUIPMENT

	Equipment furniture & fittings EUR	Motor Vehicles EUR	Factory Improvements EUR	Total EUR
Cost				
At 30 June 2016	1,971,683	56,270	24,333	2,052,286
Additions	12,199	-	-	12,199
Disposals	-	-	-	-
At 30 June 2017	1,983,882	56,270	24,333	2,064,485
Additions	19,646	-	-	19,646
Disposals	-	-	-	-
At 30 June 2018	**2,003,528**	**56,270**	**24,333**	**2,084,131**
Depreciation and impairment				
At 30 June 2016	1,899,234	56,270	5,133	1,960,637
Depreciation charge	22,209	-	2,433	24,642
Release on disposal	-	-	-	-
At 30 June 2017	1,921,443	56,270	7,566	1,985,279
Depreciation charge	19,767	-	2,433	22,200
Release on disposal	-	-	-	-
At 30 June 2018	**1,941,210**	**56,270**	**9,999**	**2,007,479**
Net Book Value				
At 30 June 2018	**62,318**	**-**	**14,334**	**76,652**
At 30 June 2017	62,439	-	16,767	79,206
At 30 June 2016	72,449	-	19,200	91,649

As at 30 June 2018, assets amounting to EUR1,232,213 (2017: EUR1,193,449) were fully depreciated.

NOTES TO THE FINANCIAL STATEMENTS – continued

9. INTANGIBLE ASSETS

	Goodwill EUR	Software Development EUR	Acquired Software EUR	Total EUR
Cost				
At 30 June 2016	5,973,592	5,688,560	519,680	12,181,832
Additions (note 4)	-	907,369	-	907,369
At 30 June 2017	5,973,592	6,595,929	519,680	13,089,201
Additions (note 4)	-	1,009,523	-	1,009,523
At 30 June 2018	**5,973,592**	**7,605,452**	**519,680**	**14,098,724**
Amortisation and Impairment				
At 30 June 2016	1,545,670	4,852,629	519,680	6,917,979
Amortisation charge	-	320,687	-	320,687
At 30 June 2017	1,545,670	5,173,316	519,680	7,238,666
Amortisation charge	-	498,890	-	498,890
At 30 June 2018	**1,545,670**	**5,672,206**	**519,680**	**7,737,556**
Net Book Value				
At 30 June 2018	**4,427,922**	**1,933,246**	**-**	**6,361,168**
At 30 June 2017	4,427,922	1,422,613	-	5,850,535
At 30 June 2016	4,427,922	835,931	-	5,263,853

Intangible assets are made up of goodwill, software development and acquired software. Software development includes capitalised labour cost incurred in the enhancement and development of software.

As at year end, EUR175,019 (2017: EUR175,019), relating to the development of one of the subsidiary's software products, was not in the condition necessary for it to be capable of operating in the manner intended by management.

As at 30 June 2018, assets amounting to EUR3,608,408 (2017: EUR3,467,309) were fully amortised.

NOTES TO THE FINANCIAL STATEMENTS – continued

9. INTANGIBLE ASSETS – continued

9.1 Impairment test for the cash-generating units containing goodwill – current period

The Group performed its annual impairment test as at 30 June 2018. Since management only monitors revenue and directly attributable costs of its business units separately and the decision making process was managed on a group basis, the Group was considered to be a single cash generating unit.

The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a three year period. The cash flows beyond the budget period are extrapolated using a 6% (2017: 6%) growth rate for years four to eleven and 3% (2017: 3%) thereafter into perpetuity.

The key assumptions used in the value in use calculation are most sensitive to the following assumptions:

- Revenue growth rate (26% average) during the budgeted period;
- Growth rates (6% and 3%) beyond the budget period; and
- Pre-tax discount rate (10%).

The Directors believe that any reasonably possible change in the key assumptions on which the recoverable amount of the cash-generating unit is based, would not cause its carrying amount to exceed its recoverable amount. Further details are provided in note 21 – Liquidity.

10. INVESTMENT IN SUBSIDIARIES

Company

	Capital subscribed EUR	Shareholders' contribution EUR	Total EUR
At 30 June 2018	**2,431,087**	**7,225,948**	**9,657,035**
At 30 June 2017	2,431,087	7,225,948	9,657,035

NOTES TO THE FINANCIAL STATEMENTS – continued

10. INVESTMENT IN SUBSIDIARIES – continued

Ownership Interest

Significant Subsidiaries	Registered Office	2018 %	2017 %	Nature of Business
Loqus Services Limited (note iii)	SUB008A Industrial Estate San Gwann SGN 3000 Malta	99.9	99.9	Back-office Processing
Loqus Solutions Limited	SUB008A Industrial Estate San Gwann SGN 3000 Malta	94.04	94.04	Software solutions
Loqus Consulting Limited	SUB008A Industrial Estate San Gwann SGN 3000 Malta	75.0	75.0	Consulting services
Loqus UK Limited (note i)	The Meridian 4, Copthall House Station Square, Coventry CV1 2FL, United Kingdom	100	100	Fleet management in the UK
Datatrak IT Services Limited (note ii)	SUB008A Industrial Estate San Gwann SGN 3000 Malta	50.2	50.2	Software development and related services
Premiere Post Limited (note iii)	SUB008A Industrial Estate San Gwann SGN 3000 Malta	99.9	99.9	Postal service
Loqus Public Sector Limited (note iv)	SUB008A Industrial Estate San Gwann SGN 3000 Malta	99.9	99.9	Public Sector activities
Loqus Fleet Limited (note v)	SUB008A Industrial Estate San Gwann SGN 3000 Malta	99.9	99.9	Fleet management worldwide

i. Loqus UK Limited is a limited company registered on 2 July 2010 in the UK with an authorised share capital of 1,000 shares of GBP1 each and an issued share capital of 1 share, fully paid up.

ii. Datatrak IT Services Limited has been dormant since 1 January 2008 and did not carry out any trading activity during the current year.

iii. The Company indirectly controls Premiere Post Limited through Loqus Services Limited.

NOTES TO THE FINANCIAL STATEMENTS – continued

10. INVESTMENT IN SUBSIDIARIES – continued

iv. The Company acquired 100% of the issued share capital of CCG Investment Limited with effect from 1 January 2014. The company was renamed to Loqus Public Sector Limited. The business and personnel were merged with the public sector activities of the Group.

v. Loqus Fleet Limited was defdset up to consolidate the Group's Fleet Management IPR and business.

vi. Datatrak IT Algerie Sarl is in the process of liquidation and the investment was fully provided for in previous periods. Such subsidiary was not consolidated due to the fact that amounts are immaterial for the Group and no transactions were entered into during the year under review.

11. INVESTMENT IN ASSOCIATE

The group's investment in the associated company is held through Loqus Solutions Limited.

		Ownership interest		
		2018	2017	
Significant subsidiary	**Registered office**	**%**	**%**	**Nature of business**
Datatrak Nigeria Limited	Nigeria	30	30	Data network provider

The issued share capital of Datatrak Nigeria Limited is 85,000,000 shares of 1 Nigerian Naira each, fully paid up. All ordinary shares in the associate carry equal voting rights.

The Group has limited the recognition of losses of the associated company up to the extent of the value of the Group's interest in the enterprise. The Group does not have any exposure beyond its equity interest therein.

12. DEFERRED TAX

Group

As of 30 June 2018, the Group had deferred tax assets amounting to EUR6,285,351 (2017: EUR6,190,233). These deferred tax assets have not been recognised in these financial statements and will be recognised when utilised against future taxable profits.

These deferred tax assets are in respect of the tax effect of tax losses, capital allowances, investment tax credits and other temporary differences. These deductible temporary differences do not expire under current tax legislation.

Deferred tax assets relating to investment tax credits amount to EUR2,845,750 (2017: EUR2,850,882).

Company

As of 30 June 2018, the Company had a deferred tax asset of EUR46,988 (2017: EUR46,988). These deferred tax assets have not been recognised in these financial statements and will be recognised when utilised against future taxable profits.

This deferred tax asset is in respect of the tax effect of tax losses and does not expire under current tax legislation.

NOTES TO THE FINANCIAL STATEMENTS – continued

13. INVENTORIES

	Group		Company	
	2018	2017	**2018**	2017
	EUR	EUR	**EUR**	EUR
Raw materials and consumables	**14,168**	18,665	**-**	-

Raw materials and consumables of the Group are stated net of a provision for slow moving inventories amounting to EUR NIL (2017: EUR NIL).

14. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018	2017	**2018**	2017
	EUR	EUR	**EUR**	EUR
Trade receivables (note i)	**860,726**	768,183	**-**	-
Other receivables (note i)	**15,708**	14,308	**6,569**	6,569
Amounts owed by related parties (note ii)	**775,309**	771,748	**-**	-
Prepayments and accrued income	**156,056**	268,809	**1,771**	1,532
	1,807,799	1,823,048	**8,340**	8,101

i. Trade receivables and other receivables are stated net of impairment allowance, changes in which are presented below:

	Individually impaired		
	Trade receivables	**Other receivables**	**Total**
	EUR	**EUR**	**EUR**
At 30 June 2017	**225,373**	**78,248**	**303,621**
Movement for the year	**41,505**	**-**	**41,505**
Utilised	**(330)**	**-**	**(330)**
At 30 June 2018	**266,548**	**78,248**	**344,796**
At 30 June 2016	226,450	78,248	304,698
Movement for the year	(1,017)	-	(1,017)
Utilised	(60)	-	(60)
At 30 June 2017	225,373	78,248	303,621

NOTES TO THE FINANCIAL STATEMENTS – continued

14. TRADE AND OTHER RECEIVABLES – continued

As at 30 June 2018, the ageing analysis of trade receivables was as follows:

	Total	Neither past due nor impaired	Past due but not impaired		
			<30 days	30-60 days	>60 days
	EUR	EUR	EUR	EUR	EUR
30 June 2018	**860,726**	**364,850**	**211,110**	**32,194**	**252,572**
30 June 2017	768,183	331,938	247,729	81,811	106,705

Trade receivables are non-interest bearing and are generally on a 30 day term.

ii. Amounts due by related parties are interest free and repayable on demand. Amount due from associate of EUR227,728 (2017: EUR227,728) has been fully impaired.

15. CAPITAL AND RESERVES

15.1 Issued capital

	2018	2017
	EUR	EUR
Authorised		
50,000,000 ordinary shares of EUR0.232937 each	**11,646,850**	11,646,850
Issued and fully paid		
31,899,000 ordinary shares of EUR0.232937 each fully paid up	**7,430,457**	7,430,457

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company’s residual assets.

15.2 Share premium

	2018	2017
	EUR	EUR
At 30 June	**847,101**	847,101

NOTES TO THE FINANCIAL STATEMENTS – continued

15. CAPITAL AND RESERVES – continued

15.3 Capital redemption reserve

In terms of Section 115 (1) of the Companies Act, Cap. 386 of the Laws of Malta there is a capital maintenance requirement upon redemption of preference shares. Where preference shares are redeemed otherwise than out of proceeds of a fresh issue, an amount equivalent to the nominal amount of the preference shares being redeemed is to be transferred from distributable profits to a capital redemption reserve.

This reserve is non-distributable by way of dividends. It may be applied by the Company in paying up unissued shares of the Company as fully paid bonus shares to the shareholders of the Company.

16. INTEREST BEARING LOANS AND BORROWINGS

Bank borrowings comprise bank loans analysed as follows:

Group

	2018	2017
	EUR	EUR
Non-current liabilities		
Bank loans	**-**	-
Amounts owed to related parties (note ii)	**822,294**	745,343
	822,294	745,343
Current liabilities		
Bank loans (note i)	**-**	-
Bank overdrafts (note 18)	**92,468**	119,984
Amounts owed to related parties (note ii)	**230,726**	237,391
	323,194	357,375
	1,145,488	1,102,718

Company

	2018	2017
	EUR	EUR
Non-current liabilities		
Amounts owed to related parties (note ii)	**822,294**	745,343
Current liabilities		
Amounts owed to related parties (notes ii)	**230,726**	237,391
	1,053,020	982,734

NOTES TO THE FINANCIAL STATEMENTS – continued

16. INTEREST BEARING LOANS AND BORROWINGS – continued

i. The Group has a total banking facility of EUR36,000 which relates to guarantee facilities. The banking facilities are secured by general hypothec over the assets of subsidiaries, guarantees provided by Group companies, pledging of cash balances and by general hypothec over the assets, pledging of insurance policies and guarantees of the major shareholder.

ii. Amounts payables to related parties are unsecured and bear interest at 8% p.a.

The table below shows the bank loans and other borrowings according to when they are expected to be repaid based on their contractual maturity. For the Group's exposure to liquidity, interest rates and foreign currency risks, see note 21.

	Group		Company	
	2018	2017	**2018**	2017
	EUR	EUR	**EUR**	EUR
Between 1 and 2 years	**-**	-	**-**	-
Between 2 and 5 years	**822,294**	745,343	**822,294**	745,343
	822,294	745,343	**822,294**	745,343

17. TRADE AND OTHER PAYABLES

Current	Group		Company	
	2018	2017	**2018**	2017
	EUR	EUR	**EUR**	EUR
Trade payables (note i)	**390,166**	608,458	**8,013**	7,559
Trade payables to related parties (note ii)	**210,751**	246,211	**-**	-
Other payables	**241,767**	229,341	**-**	-
Amounts payable to subsidiaries (note ii)	**-**	-	**58,281**	57,731
Other taxes and social security contributions	**2,784,104**	2,754,859	**-**	-
Accruals and deferred income	**1,068,117**	1,238,257	**8,493**	7,408
	4,694,905	5,077,126	**74,787**	72,698

i. Amounts due to trade payables are unsecured, interest free and are generally on 30-90 days term.

ii. Trade payables to related parties and subsidiaries are unsecured and bear no interest.

NOTES TO THE FINANCIAL STATEMENTS – continued

18. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in hand and balances with banks. Cash and cash equivalents included in the statement of cash flows reconcile to the amounts in the statement of financial position as follows:

	Group		Company	
	2018	2017	**2018**	2017
	EUR	EUR	**EUR**	EUR
Bank balances (note i)	**62,974**	248,716	**18**	18
Bank overdraft (note 16)	**(92,468)**	(119,984)	**-**	-
Cash and cash equivalents	**(29,494)**	128,732	**18**	18

i. Bank balances are pledged as detailed in note 16.

19. COMMITMENTS AND CONTINGENCIES

19.1 Operating lease commitments – Group as lessee

The Group leases factory facilities under cancellable operating lease agreements. On the 21 February 2013, the Group signed a new lease agreement with affect from 21 April 2013 and which will terminate on 8 June 2024. This replaced the old lease agreement which started on 28 May 1998 with an initial term of 16 years.

During the year ended 30 June 2018, operating leases amounted to EUR33,883 were recognised as an expense in the statement of comprehensive income (2017: EUR33,883).

19.2 Operating lease commitments – Group as lessor

A subsidiary company leased equipment to customers under operating leases equipment amounting to EUR130,208 (2017: EUR130,208). Accumulated depreciation on these assets at year end amounted to EUR130,208 (2017: EUR130,208).

No future lease receivables are expected to be received since all non-cancellable leases have been terminated.

NOTES TO THE FINANCIAL STATEMENTS – continued

19. COMMITMENTS AND CONTINGENCIES – continued

19.3 Guarantees

The Company

The Company is a guarantor for EUR36,000 (2017: EUR117,165) in respect to banking facilities provided to two group companies as detailed in note 16.

20. RELATED PARTY DISCLOSURES

Group

The related parties with which the Group had balances outstanding or transactions were as follows:

GO plc	(shareholder of the Company)
GDL Trading Limited	(other related party)
E-tail Limited	(other related party)
METIS Consultancy and Services Limited	(other related party)

Transactions with related parties

During the year, the Group entered into various transactions with related parties, as follows:

	2018	2017
	EUR	EUR
Revenue		
Sales	**23,882**	23,362
Expenses		
Purchases and other directly attributable costs	**141,179**	63,814
Telecommunication Expenses	**10,469**	12,507
Professional Fees	**51,213**	51,213
Finance Expenses	**96,002**	90,636

Balances with related parties

Balances with related parties are disclosed in notes 14, 16 and 17.

Key management personnel

Wages and salaries include an amount of EUR1,073,648 (2017: EUR1,069,741) paid as salaries to key management personnel. Total salaries paid to Executive Directors amounted to EUR706,748 (2017: EUR674,400). The Board of Directors are considered to be key management personnel and total Directors' emoluments are included in note 4 – Personnel Expenses.

NOTES TO THE FINANCIAL STATEMENTS – continued

20. RELATED PARTY DISCLOSURES – continued

Company

Transactions with related parties

During the year, the Company entered into various transactions with related parties, as follows:

	2018 EUR	2017 EUR
Finance Expenses	**96,002**	90,636

Balances with related parties

Balances with related parties are disclosed in notes 14, 16 and 17.

Key management personnel

Total Directors' emoluments are included in note 4 – Personnel Expenses.

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how the management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

NOTES TO THE FINANCIAL STATEMENTS – continued

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Credit risk

Credit risk is the risk of the financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Trade and other receivables

Aged receivables are regularly monitored in order to highlight potential credit risks and also to assist in cash flow planning. The Group's invoicing system contains specific payment terms which are enforced accordingly. Customers that are found to be in substantial arrears on settlement are contacted and should they not regulate their position, the service provided is terminated after giving sufficient notice. The monitoring is carried out by both the accounts and sales departments in order to ensure that the credit limits and terms are adjusted accordingly. Customers that are considered to be a credit risk are referred to the Chief Financial Officer for appropriate action.

The Group does not require collateral in respect of trade and other receivables.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main component of this allowance is a specific loss component that relates to individually significant exposures.

Exposure to credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

The Group's exposure to concentration of risk arises from activity exceeding 25% of its revenues. At year end the Group had EUR478,066 (2017: EUR568,839) owed by a major customer representing 56% (2017: 74%) of the Group's total trade receivables. This customer generated EUR2,438,388 (2017: EUR2,450,222) of the Group's total revenue, representing 63% (2017: 70%) of the Group's total revenue.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Directors have a reasonable expectation that the Group has adequate resources to improve its liquidity. Furthermore, the Group maintains lines of credit as disclosed in note 16 to these financial statements.

NOTES TO THE FINANCIAL STATEMENTS – continued

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Liquidity risk – continued

Contractual maturities

The following are the undiscounted contractual maturities of financial liabilities:

Group
Year ended 30 June 2018

	Carrying amount	Contractual Cash flows	Less than 6 months	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Bank loans	-	-	-	-	-	-	-
Other borrowings	-	-	-	-	-	-	-
Trade and other payables	4,694,905	4,694,905	3,287,099	395,246	738,000	274,560	-
Bank overdraft	92,468	92,468	92,468	-	-	-	-
Amounts owed to related parties	1,053,020	1,438,945	-	230,726	-	1,208,219	-
	5,840,393	6,226,318	3,379,567	625,972	738,000	1,482,779	-

Year ended 30 June 2017

	Carrying amount	Contractual Cash flows	Less than 6 months	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Bank loans	-	-	-	-	-	-	-
Other borrowings	-	-	-	-	-	-	-
Trade and other payables	5,077,126	5,077,126	3,633,855	430,711	738,000	274,560	-
Bank overdraft	119,984	119,984	119,984	-	-	-	-
Amounts owed to related parties	982,734	1,332,544	-	237,391	-	1,095,153	-
	6,179,844	6,529,654	3,753,839	668,102	738,000	1,369,713	-

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income and equity. The Group had limited exposure to foreign exchange risk, while interest on borrowings is denominated in Euro which matches the cash flows generated by the underlying operations of the Group. The Group's interest bearing loans and borrowings are priced at a margin over the bank's base rate, which reflects local market rates. Bank borrowings are hence repriceable when the Company's bankers amend their base rate.

NOTES TO THE FINANCIAL STATEMENTS – continued

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Currency risk

Exposure to currency risk

All the Group's assets and liabilities are denominated in the functional currency except the following trade receivables and trade payables (based on notional amounts):

	2018		2017	
	GBP	**USD**	GBP	USD
Trade receivables	**240,774**	**-**	64,588	-
Trade payables	**(39,071)**	**(63,842)**	(30,792)	(54,017)
	201,703	**(63,842)**	33,796	(54,017)

The following significant exchange rates applied during the year:

	Average rate		**Reporting date spot rate**	
	2018	2017	**2018**	2017
GBP1	**0.8863**	0.8599	**0.8852**	0.8265
USD1	**1.1930**	1.0906	**1.1583**	1.1102

The Group's exposure to currency risk is therefore limited, as shown in the table above.

Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Notes 14, 16 and 17 incorporate information with respect to the Group/Company's assets and liabilities exposure to interest rates. Up to the reporting date the Group/Company did not have any hedging policy with respect to interest rate risk as exposure to such risks was not deemed to be significant by the Directors.

The interest rate risk and terms of repayment of interest-bearing instruments at reporting date are set out in note 16 to the financial statements.

Interest rates in bank borrowings are established at a margin over the banker's base rate, whilst other borrowings are established at a margin below the ECB's base rate. Borrowings are hence repriceable when base rates are amended.

NOTES TO THE FINANCIAL STATEMENTS – continued

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Interest rate risk – continued

The following table demonstrates the sensitivity of the Group/Company's profit before tax to a reasonably possible change in interest rates, with all other variables held constant, based on the balances at year end.

	Increase/ decrease in basis points	Effect on profit/(loss) before tax EUR000
2018	**+100/-100**	**(2)/2**
2017	+100/-100	(2)/2

Fair values

The fair values of the financial assets which are measured at amortised cost are not materially different from their carrying amount.

Capital management

Capital includes equity attributable to equity holders of the parent. The primary objective of the Group and the Company's capital management is to improve its capital ratios in order to support its business and maximise shareholder value. The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust capital structure, the Group and the Company may adjust dividend payments to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year.

SUMMARISED RESULTS FOR THE PAST FIVE YEARS

As at 30 June	2018 EUR	2017 EUR	2016 EUR	2015 EUR	2014 EUR
FINANCIAL					
Revenue	3,897,951	3,476,867	3,893,957	4,181,363	3,527,989
Operating Profit	1,746,537	1,522,007	1,188,301	1,038,377	936,143
EBITDA	1,171,421	990,015	690,323	334,232	369,496
Profit/(loss) for the year	642,042	484,014	266,702	55,815	(247,225)
Earnings/(loss) per share	2c0	1c5	0c8	0c2	(0c8)
LIQUIDITY					
Cash generated from operations	870,943	941,943	416,826	693,714	566,480
Net cash	(158,226)	128,732	106,357	108,429	(60,901)
NUMBER OF EMPLOYEES	90	88	79	80	77

MAZARS

Independent auditor's report

To the Shareholders of Loqus Holdings p.l.c.

Opinion

We have audited the individual financial statements of Loqus Holdings p.l.c.(the Company) and the consolidated financial statements of the Company and its subsidiaries (together, the Group) set out on pages 14 to 62, which comprise the statements of financial position of the Company and the Group as at 30 June 2018, and the statements of comprehensive income, statements of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Loqus Holdings p.l.c and its Group as at 30 June 2018, and of the Company's and its Group's financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have been prepared in accordance with the requirements of the Companies Act (Cap. 386).

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 these requirements and the IESBA Code. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. 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 judgment, 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, and we do not provide a separate opinion on these matters.

Management override of controls

Risk description

Management has the ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk.

32, Sovereign Building, Zaghfran Road - Attard ATD9012, Malta
Tel: (+356) 213 45 760 - Fax: (+356) 213 45 759 - www.mazars.com.mt

Mazars Malta
Certified Public Accountants
VAT Reg No. MT15296002

Independent auditor's report (continued)

To the Shareholders of Loqus Holdings p.l.c. (continued)

Key Audit Matters (continued)

Management override of controls (continued)

How the scope of our audit responded to the risk
We have maintained professional scepticism throughout the audit, considering the potential for management override of controls. We have designed and performed audit procedures as follows:

- Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of financial statements by inquiring of individuals involved in the financial process and by selecting journal entries made during the year and towards the end of the reporting period.
- Reviewed the accounting estimates by evaluating whether judgements and decisions made by management in making the accounting estimates included in the financial statements, even if they are individually reasonable, indicate a possible bias on the part of the entity's management that may represent a risk of material misstatement due to fraud.
- Tested a sample of internal controls and verified that there were no deficiencies within the said controls and management has abided to them.

Findings
We obtained reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error.

Intangible assets

Risk description
One of the main assets of the Group, relates to intangible assets consisting of both Goodwill and software which amounts to €6,361,168 as per note 9 to the financial statements. Under IFRSs as adopted by the European Union the Group is required to annually test the amount of Goodwill and similar assets for impairment. The annual impairment test was significant to our audit because the assessment process is complex and highly judgemental and is based on assumptions that are affected by expected future market or economic conditions.

How the scope of our audit responded to the risk
We have performed the following tests so as to address the above mentioned risk:

- We have critically tested the forecasts adopted by the Group and evaluated the assumptions and methodologies used by the Group in preparing these forecasts. Particular emphasis was placed in reviewing the forecasted revenue growth and profit margins
- We have adopted a margin cut on all forecasted revenue to ensure that the overall value was still in excess of the book value.
- We have reviewed correspondence and minutes which discuss the overall values and conditions which may be offered and accepted by the Group's board for the potential sale of part of the software or companies which are creating the goodwill.

Findings
We obtained reasonable assurance that the value of the intangible assets is fairly reported.

Independent auditor's report (continued)

To the Shareholders of Loqus Holdings p.l.c (continued)

Key Audit Matters (continued)

Dependence on Key Management

Risk description
As is common in various organisations there exist within the Group certain Key Managers who are of critical importance because of their knowledge and knowhow to the Group. Such employees handle customer relationships directly and also are of strategic importance to the Group. Moreover they are also critical in the writing of the necessary programs and software which are fundamental to the Group's continuous development.

How the scope of our audit responded to the risk
We considered the roles played by the identified Key Management and assessed whether there exists within the Group a system of knowledge sharing and succession planning. We also assessed whether critical employees are remunerated in a manner which reflects their role and the industry norm and we understand that the newly set up remuneration committee will also be monitoring this aspect.

Findings
We are satisfied with the processes currently adopted or proposed by the Group which will ensure that the Group structures allow for succession planning and Key Management retention.

Other Information

The directors are responsible for the other information. The other information comprises the chairman's statement, the chief executive officer's review, directors' report, statement of directors' responsibilities, general information, directors' statement of compliance with the code of principles of good corporate governance and other disclosures in terms of listing rules. However, the other information does not include the separate and consolidated financial statements and our auditor's report thereon.

Except for our opinions on the directors' report in accordance with the Companies Act (Cap.386) and on the directors' statement of compliance with the code of principles of good corporate governance in accordance with the Listing Rules issued by the Maltese Listing Authority our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

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.

Independent auditor's report (continued)

To the Shareholders of Loqus Holdings p.l.c (continued)

Other Information (continued)

With respect to the directors' report, we also considered whether the directors' report includes the disclosures required by Article 177 of the Maltese Companies Act (Cap. 386). Based on the work we have performed, in our opinion:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with the Maltese Companies Act (Cap.386).

In addition, in the light of the knowledge and understanding of the Company and 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. We have nothing to report in this regard.

Responsibilities of the Directors

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS's as adopted by the European Union and the Maltese Companies Act (Chap 386), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's and 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 Company and the Group or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company's and Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent auditor's report (continued)

To the Shareholders of Loqus Holding p.l.c. (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and 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 Company's and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business entities 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 Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide the audit Committee 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.

32, Sovereign Building, Zaghfran Road - Attard ATD9012, Malta
Tel: (+356) 213 45 760 - Fax: (+356) 213 45 759 - www.mazars.com.mt

Mazars Malta
Certified Public Accountants
VAT Reg No. MT15296002

MAZARS

Independent auditor's report (continued)

To the Shareholders of Loqus Holdings p.l.c. (continued)

Report on Other Legal and Regulatory Requirements

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

The Listing Rules issued by the Malta Listing Authority require the directors to prepare and include in their annual report a Corporate Governance Statement providing an explanation of the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance throughout the accounting period with those Principles.

The Listing Rules also require the auditor to include a report on the Corporate Governance Statement prepared by the directors. We read the directors' statement of compliance with the code of principles of good corporate governance and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements included in the annual report.

Our responsibilities do not extend to considering whether this statement is consistent with any other information included in the annual report. We are not required to, and we do not, consider whether the board's statements on internal control included in the Corporate Governance Statement covers all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

In our opinion, the directors' statement of compliance with the principles of good governance set out on pages 6 to 13 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.

32, Sovereign Building, Zaghfran Road - Attard ATD9012, Malta
Tel: (+356) 213 45 760 - Fax: (+356) 213 45 759 - www.mazars.com.mt

Mazars Malta
Certified Public Accountants
VAT Reg No. MT15296002

Independent auditor's report (continued)

To the Shareholders of Loqus Holdings p.l.c. (continued)

Adequacy of explanations received and accounting records

Under the Maltese Companies Act (Cap. 386) we are required to report to you if, in our opinion:

- We have not received all the information and explanations we require for our audit.
- 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.
- Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report

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

We were appointed by the shareholders as auditors of Loqus Holdings p.l.c. on 3 December 2012, as for the year ended 30 June 2012 and have operated as statutory auditor ever since that date.

This copy of the audit report has been signed by Paul Giglio (Partner) for and on behalf of

Mazars Malta
Certified Public Accountants
Attard,
Malta
24 October 2018

OTHER DISCLOSURES IN TERMS OF THE LISTING RULES

Share Capital Structure

In the year under review, the Company's authorised share capital was eleven million six hundred and forty six thousand eight hundred and fifty Euro (EUR11,646,850) divided into fifty million (50,000,000) ordinary shares of EUR0.232937 per share. The Company's issued share capital was seven million four hundred and thirty thousand four hundred fifty seven Euro (EUR7,430,457) divided into thirty-one million eight hundred and ninety-nine thousand (31,899,000) ordinary shares having a nominal value EUR0.232937 per share.

All of the issued shares of the Company form part of one class of ordinary shares in the Company, which shares are listed on the Malta Stock Exchange. All shares in the Company have the same rights and entitlements and rank *paripassu* between themselves.

Dividends: The shares carry the right to participate in any distribution of dividend declared by the Company in general meeting on the recommendation of the Directors.

Voting Rights: Each share entitles its holder to one vote per share at meetings of shareholders.

Pre-emption rights: None.

Transferability: All the shares are freely transferable in accordance with the rules and regulations of the Malta Stock Exchange, applicable from time to time.

There are no agreements between shareholders which are known to the Company and may result in restrictions on the transfer of securities and/or voting rights.

Mandatory takeover bids: Chapter 11 of the Listing Rules, implementing the relevant Squeeze-Out and Sell-Out Rules provisions of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004, regulates the acquisition by a person or persons acting in concert of the control of a company and provides specific rules on takeover bids, squeeze-out rules and sell-out rules. The shareholders of the Company may be protected by the said Listing Rules in the event that the Company is subject to a Takeover Bid (as defined therein). The Listing Rules may be viewed on the official website (www.mfsa.com.mt) of the Listing Authority.

Holdings in excess of 5% of the share capital

On the basis of the information available to the Company, the direct and indirect shareholders as at the 30 June 2018 and 17 October 2018 in excess of 5% of the share capital of the Company are the following:

	30 June 2018		17 October 2018	
	Number of Shares	Holding %	Number of Shares	Holding %
JFC Holdings Limited	15,949,500	50.00	15,949,500	50.00
Go plc	4,784,850	15.00	4,784,850	15.00

Appointment and replacement of Directors (in terms of articles 54 to 60 of the Company's Articles of Association)

The Directors of the Company must be individuals.

1. The Directors shall be appointed as follows:

   a. A Member holding not less than ten per cent of the equity securities having voting rights or a number of Members who between them hold not less than ten per cent of the equity securities are entitled to appoint one Director for every ten per cent holding, by letter to the Company. In the event that any such appointment is intended to fill a vacancy resulting from the retirement of a Director at an Annual General Meeting, any such letter may be sent in advance of the Annual General Meeting in question and the appointment thereby has effect immediately at the end thereof;

   b. Any Member who (i) does not qualify to appoint Directors in terms of the provisions abovementioned (1a) and (ii) any Member who, although qualified as aforesaid has not voted all his equity securities having voting rights (or some of them) for the purposes of appointing a Director(s) pursuant thereto, shall be entitled to vote such of his equity securities as shall not have been so voted on any resolution or resolutions to fill vacancies in the Board of Directors.

An election pursuant to point 1(b) above shall be held every year, if there are vacancies on Board which are not filled by the appointment of Directors pursuant to point 1(a) above.

Unless they resign or are removed, Directors shall hold office up until the end of the next Annual General Meeting following their appointment. Directors whose term of office expires or who resign or are removed are eligible for re-appointment.

In the event that there are, or are to be, vacancies in the Board of Directors which will not be filled by appointments made pursuant to point 1(a) above, the Company shall grant a period of at least 14 days to Members to nominate candidates for appointment as Directors. Such notice may be given by the publication of an advertisement in at least two daily newspapers. All such nominations shall on pain of disqualification be made on the form to be prescribed by the Directors from time to time and shall reach the office not later than 14 days after the publication of the said notice.

In respect of the appointment of Directors pursuant to point 1(b) above every Member or group of Members holding alone or between them at least EUR232,937 in nominal value of equity securities entitled to vote in terms of that point 1(b) above shall be entitled to nominate one person to stand for appointment as Director.

Unless a Member demands that a vote be taken in respect of all or any one or more of the nominees, in the event that there are as many nominations as there are vacancies or less, no voting will take place and the nominees will be deemed appointed Directors.

2. The Directors shall be replaced as follows:

   a. Any Director may be removed at any time by the Member or Members by whom he was appointed. The removal may be made in the same manner as the appointment.

   b. Any Director may be removed at any time by the Company in general meeting pursuant to the provisions of section 140 of the Companies Act, Cap. 386 of Malta.

Without prejudice to the provisions of the Companies Act, Cap. 386 of the Laws of Malta, the office of a Director shall ‘ipso facto’ be vacated:-

a. If, by notice in writing to the Company, he resigns from the office of Director; or

b. If he absents himself from the meetings of the Directors for a continuous period of 3 calendar months without leave of absence from the Directors and the Directors pass a resolution that he has, by reason of such absence, vacated office; or

c. If he violates the declaration of secrecy required of him under the Articles and the Directors pass a resolution that he has so violated the declaration of secrecy; or

d. If he is prohibited by or under any law from being a Director; or

e. If he is removed from office pursuant to the Articles of Association or the Companies Act, Cap. 386 of the Laws of Malta; or

f. If he becomes of unsound mind, or is convicted of any crime involving public trust, or declared bankrupt during his term of office and the Directors pass a resolution that he has for such reasons vacated office.

A resolution of the Directors declaring a Director to have vacated office as aforesaid shall be conclusive as to the fact and the grounds of vacation stated in the resolution.

Any vacancy among the Directors may be filled by the co-option of another person to fill such vacancy.

Such co-option shall be made by the Board of Directors. Any vacancy among the Directors filled as aforesaid, shall be valid until the conclusion of the next Annual General Meeting.

In the event that at any time and for any reason the number of Directors falls below the minimum number established by the Memorandum of Association of the Company then, notwithstanding the provisions regulating the quorum for meetings of the Directors, the remaining Directors may continue to act notwithstanding any vacancy in their body, provided they shall, with all convenient speed, and under no circumstances later than 3 months from the date upon which the number of Directors has fallen below the minimum, convene a general meeting for the sole purpose of appointing/electing the Directors.

Amendment of the Memorandum and Articles of Association

In terms of the Companies Act, Cap. 386 of Malta, the Company may by extraordinary resolution at a general meeting alter or add to its Memorandum or Articles of Association. An extraordinary resolution is one where:

a. it has been taken at a general meeting of which notice specifying the intention to propose the text of the resolution as an extraordinary resolution and the principle purpose thereof has been duly given.

b. it has been passed by a shareholder or shareholders having the right to attend and vote at the meeting holding in the aggregate not less than seventy five per cent (75%) in nominal value of the shares issued by the Company represented and entitled to vote at the meeting and at least fifty one per cent (51%) in nominal value of all the shares issued by the Company and entitled to vote at the meeting.

Amendment of the Memorandum and Articles of Association – continued

Provided that, if one of the aforesaid majorities is obtained but not both, another meeting shall be convened within thirty (30) days in accordance with the provisions for the calling of meetings to take a fresh vote on the proposed resolution. At the second meeting the resolution may be passed by a shareholder or shareholders having the right to attend and vote at the meeting holding in the aggregate not less than seventy five per cent (75%) in nominal value of the shares issued by the Company represented and entitled to vote at the meeting. However, if more than half in nominal value of all the shares issued by the Company having the right to vote at the meeting is represented at that meeting, a simple majority in nominal value of such shares so represented shall suffice.

Provided further that in respect of a resolution for a change in the public limited company status of the Company the requisite majority shall be not less than ninety five per cent (95%) of the nominal value of the shares entitled to attend and vote at the general meeting.

Board Member Powers

The Directors are vested with the management of the Company, and their powers of management and administration emanate directly from the Memorandum and Articles of Association and the law. The Directors are empowered to act on behalf of the Company and in this respect have the authority to enter into contracts, sue and be sued in representation of the Company. In terms of the Memorandum and Articles of Association they may do all such things that are not by the Memorandum and Articles of Association reserved for the Company in general meeting or by any provision contained in any law in force at the time.

Subject to regulatory requirements, the Company may in accordance with Article 10 of its Articles of Association, acquire its own shares.

Other

There are no special control rights.

There are no significant agreements to which the Company is a party and which take effect, alter or terminate upon a change of control of the Company following a take-over bid.

There are no agreements between the Company and its Board Members or employees by providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid.

STATEMENT BY THE DIRECTORS ON THE FINANCIAL STATEMENTS AND OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

Pursuant to Listing Rule 5.55.2, we, the undersigned, declare that to the best of our knowledge, the financial statements included in the Annual Report and prepared in accordance with the requirements of International Financial Reporting Standards as adopted by the European Union give a true and fair view of the assets, liabilities, financial position and profit of the Group and that this report includes a fair review of the development and performance of the business and position of the Company, together with a description of the principal risks and uncertainties that it faces.

Signed on behalf of the Board of Directors by:

WALTER BONNICI
Chairman

JOSEPH FENECH CONTI
Director

24 October 2018

SHAREHOLDER REGISTER INFORMATION

Directors' interests in the Company as at 30 June 2018 and as at 17 October 2018.

Shareholder Range	Ordinary shares held as at 30.06.18	Ordinary shares held as at 17.10.18	Movement in shares held by Directors
Mr Anthony Demajo	**1,350,750**	**1,350,750**	-

Mr Joseph Fenech Conti has a beneficial interest of 15,949,500 shares currently registered in the name of JFC Holdings Limited. Mr Walter Bonnici has a beneficial interest of 1,434,030 shares currently registered in the name of GDL Trading and Services Limited. There have been no changes after year end up to 17 October 2018**.**

Holders holding 5% or more of the Share Capital at 30 June 2018 and at 17 October 2018.

	Ordinary Shares of EUR0.2329374 each at:			
	30.06.18		17.10.18	
	Number of shares	Holding (%)	Number of shares	Holding (%)
JFC Holdings Limited	**15,949,500**	**50.00**	**15,949,500**	**50.00**
GO P.L.C.	**4,784,850**	**15.00**	**4,784,850**	**15.00**

Number of holders

The total number of shareholders at year end was 1,483. As at 17 October 2018, 1,481 shareholders held the Company's issued share capital consisting of 31,899,000 shares. All shares are of equal class and carry equal voting rights.

Shareholder Range	Number of holders at 30.06.18	Number of holders at 17.10.18	Movement in holders increase /(decrease)
1 - 500 shares	**384**	383	**(1)**
501 - 1,000 shares	**407**	406	**(1)**
1,001 - 5,000 shares	**577**	572	**(5)**
5,001 and over	**115**	120	**5**
	1,483	1,481	**(2)**

Company Secretary and Registered Address

Dr Adrian Mallia
SUB008A, Industrial Estate
San Gwann SGN 3000
Malta

LOQUS Holdings PLC
SUB008A Industrial Estate
San Gwann - SGN 3000 Malta

Contact Info
+356 23 318 000
info@loqusgroup.com
www.loqusgroup.com