MCM
XXIII

1923
INVESTMENTS

1923 Investments p.l.c.

Interim Financial Report (Unaudited)

For the period 1 January 2020 to 30 June 2020

Contents

The directors present their interim report, together with the unaudited interim condensed financial statements (the "condensed interim financial statements") of the company and its subsidiaries (the "group") for the period from 1 January 2020 to 30 June 2020.

Principal activities

The company acts as an investment company. Its current investments include: the sale and distribution of Apple Products as an Apple Premium Reseller through iSpot, the sale, maintenance and servicing of information technology solutions, security systems and provides electronic payment solutions through Harvest Technology plc, the provision of road, sea and air logistics services in Malta and in Poland through Hili Logistics and the provision of ship-to-ship services and LNG terminal management through STS Marine Solutions.

Business review

The group

During the period under review, the group registered an operating profit of Eur1,734,789 (June 2019: *Eur19,079 operating loss*) on revenues of Eur63,671,730 (June 2019: *Eur55,573,446*).

After accounting for the investment income and finance costs, the group registered a profit before tax of Eur505,566 (June 2019: *Eur1,221,670 pre-tax loss*).

The overall improvement of these results was due to better performance by iSpot Sp. z.o.o. ('iSpot') which has achieved a profit before tax of EUR45,039 (June 2019: *EUR970,149 pre-tax loss*).

The first half of 2020 has been characterised by strong performance of Harvest Technology p.l.c. which has achieved a consolidated profit before tax of Eur1,864,967 (June 2019: *Eur1,361,950).*

Hili Logistics Limited has also performed better when compared to the first half of 2019, with a profit before tax amounting to Eur346,661 (June 2019: *Eur210,069).*

STS Marine Solutions Ltd. was acquired on the 30 April 2020 and generated a profit of EUR85,175 for the two period from 1 May to 30 June 2020.

The group's net assets for the period under review amounted to Eur43,363,115 compared to *Eur45,062,773* as at 31 December 2019.

The company

During the period under review, the company registered an operating profit of Eur101,666 (June 2019 – loss of *Eur2,003,770*). After accounting for investment income and finance costs, the company registered a pre-tax loss of Eur1,213,427 (June 2019 – *Eur2,983,328 pre-tax loss*).

The net assets of the company as at 30 June 2019 amounted to Eur47,560,710 compared to *Eur48,704,957* as at 31 December 2019.

The published figures have been extracted from the unaudited management financial statements for the half-year ended 30 June 2020 and its comparative period in 2019.

Likely future business developments

The directors consider that the period-end financial position was satisfactory. However future performance might be negatively affected due to COVID-19 pandemic.

Effects of the Covid-19 pandemic

Following the outbreak of the Covid-19 pandemic, the directors have continued to actively monitor all developments currently taking place both locally and internationally in order to take any immediate action to safeguard the interest of the Group as necessary. Although the Group managed to improve on actual results of the previous reporting period and on budgeted figures, such events might still have an impact on the performance and financial position of the Group in the future due to any unforeseen effects that such pandemic might have on the economies and industries.

The results for the period 1 January to 30 June 2020 show that the Group has exceeded last year's results. As noted above, the iSpot business improved its profit before tax by €1,015,188. This is mainly due to increased demand for Apple products during the months following the outbreak of the COVID pandemic. During the lockdown period in Poland from 19 March to 4 May 2020, when the retail stores were shut, the business-to-business and e-commerce divisions saw a significant increase in revenue. Furthermore, when the shopping malls in Poland reopened, turnover improved and reached €43,729,000 in the first half of 2020 (2019 results: €38,648,000) which is an increase of 13% over the same period last year.

The logistics business reported a strong increase in operating profit predominately due to the strong performance of the joint venture with CMA CGM. ALLcom Sp. Zoo reported flat year-on-year revenue performance whilst improving the Gross Profit margin from 19% to 20% due to the strong customer mix. As noted in the Post Balance Sheet events, the board of directors of Carmelo Caruana Company Limited has approved to wind-down the freight forwarding operation and transfer business to CMA CGM. The restructuring of Carmelo Caruana will be completed in the second half of 2020.

Harvest Technology plc reported strong results for the period 1 January to 30 June 2020 which showed that profitability exceeded expectations as included in the IPO prospectus dated 18th November 2019.

Effects of the Covid-19 pandemic (continued)

The acquisition of STS Marine Solutions Limited was completed on 30 April 2020. Despite the constraints imposed by the lock-down measures in several countries, the integration of its global operations were completed successfully. The business was impacted by travel and port closures in the first two months of ownership, however the business is now seeing a gradual improvement in the operations since the start of the second half of 2020. Nonetheless, the STS business generated a profit and is expected to continue to increase its operations in the second half of 2020.

Whilst the outlook remains cautiously optimistic, the situation remains fluid and future events may have an adverse effect on the Group's future profitability, liquidity and financial position.

During the first few months of the year, the Group has, to a great degree, implemented a work-from-home approach in order to protect its staff from unnecessary travel and has required its workforce to use protective equipment in line with Government guidelines for essential on-site visits to customers due to the nature of its operations. This strategy proved to be successful with minimal disruptions to clients and other business partners. The Group has taken all necessary measures recommended by National Health Authorities in the respective countries to protect the safety of its employees whilst safeguarding continuity of service at the various retail outlets, warehouses, courier business and ship to ship operations. Wherever possible, the Group has utilised the Government's wage supplement which has assisted in creating stability and peace of mind to its employees while at the same time giving management the ability to further invest in a safer work environment that will be beneficial to its workforce in the longer term.

Post balance sheet events

In order to position Carmelo Caruana Company Limited more appropriately for future growth in the shipping industry, it has been decided by the board of directors that a restructuring of the business is necessary. Consequently, the company will not continue its operations in freight forwarding business in the second half of 2020 but will focus on ship to ship services, ship agency and warehousing activities.

Preparation of the Condensed Consolidated Interim Financial Statements

This report is being published in terms of the Listing Rule 5.75 issued by the Listing Authority, and has been prepared in accordance with the applicable listing Rules and International Accounting Standard 34 - Interim Financial Reporting. The financial statements published in this half-yearly report have been condensed in accordance with the requirements of IAS 34. In terms of the Listing Rule 5.75.5, the Directors are stating that these condensed interim financial statements have not been audited or reviewed by the company's independent auditors.

Approved by the Board of Directors on 28th August 2020 and signed on its behalf by:

Charles Borg
Chairman

Geoffrey Camilleri
Director

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Condensed Statements of Profit or Loss and Other Comprehensive Income

Period ended 30 June 2020

	Group		Company	
	1 January to 30 June 2020	**1 January to 30 June 2019**	**1 January to 30 June 2020**	**1 January to 30 June 2019**
	Eur	Eur	**Eur**	Eur
Revenue (note 4)	**63,671,730**	55,573,446	**333,333**	540,000
Cost of sales	**(53,758,216)**	(48,245,470)	**-**	-
Gross profit	**9,913,514**	7,327,976	**333,333**	540,000
Administrative expenses	**(8,178,725)**	(7,347,055)	**(231,667)**	(2,543,770)
Operating profit/(loss)	**1,734,789**	(19,079)	**101,666**	(2,003,770)
Investment income	**93,936**	89,693	**(38,703)**	362,417
Finance costs	**(1,529,765)**	(1,378,878)	**(1,276,390)**	(1,341,975)
Share of profits in associates	**206,606**	63,534	**-**	-
Share of loss in joint ventures	**-**	23,060	**-**	-
Profit/(loss) before tax	**505,566**	(1,221,670)	**(1,213,427)**	(2,983,328)
Income tax (expense)/credit	**(662,669)**	442,192	**69,180**	722,865
Loss for the period	**(157,103)**	(779,478)	**(1,144,247)**	(2,260,463)
Other comprehensive income items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Note 5 and Note 6)	**(1,542,555)**	498,222	**-**	-
Total comprehensive loss for the period	**(1,699,658)**	(281,256)	**(1,144,247)**	(2,260,463)
Profit attributable to :				
Owners of the company	**(452,868)**	(783,174)		
Non-controlling interests	**295,765**	3,696		
	(157,103)	(779,478)		
Total comprehensive loss attributable to :				
Owners of the company	**(1,995,423)**	(284,952)		
Non-controlling interests	**295,765**	3,696		
	(1,699,658)	(281,256)		

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Condensed Statements of Financial Position at 30 June 2020

	Notes	Group 30 June 2020 Unaudited Eur	Group 31 December 2019 Audited Eur	Company 30 June 2020 Unaudited Eur	Company 31 December 2019 Audited Eur
Assets and liabilities					
Non-current assets					
Goodwill	5	**64,710,847**	50,977,993	**-**	-
Intangible assets	6	**11,730,112**	12,177,049	**-**	-
Property, plant and equipment		**11,500,409**	5,610,785	**3,606**	4,530
Right-of-use assets	7	**9,279,938**	10,294,497	**-**	-
Investments in subsidiaries		**-**	-	**81,002,809**	55,332,577
Investments in associates		**477,284**	270,678	**-**	-
Investment in joint venture		**907,996**	907,996	**682,375**	682,375
Other investments		**50,000**	50,000	**-**	-
Other receivables		**1,358,027**	-	**-**	-
Loans and receivables	12	**2,405,430**	2,383,816	**35,020,626**	34,841,025
Deferred tax assets		**1,797,096**	1,462,908	**338,630**	23,356
		104,217,139	84,135,722	**117,048,046**	90,883,863
Current assets					
Inventories		**8,576,122**	11,476,437	**-**	
Loans and receivables	12	**1,799,050**	8,350,853	**3,594,587**	4,689,144
Contract assets		**694,094**	215,998	**-**	-
Other assets		**84,889**	1,444,414	**-**	3,819
Trade and other receivables	8	**15,329,703**	11,805,251	**525,864**	354,084
Cash and cash equivalents		**25,258,732**	18,933,855	**11,887,352**	10,624,983
Current tax assets		**196,977**	912,630	**-**	260,851
		51,939,567	53,139,438	**16,007,803**	15,932,881
Total assets		**156,156,706**	137,275,160	**133,055,849**	106,816,744
Current liabilities					
Trade and other payables	9	**26,472,335**	23,923,325	**1,625,040**	803,994
Contract liabilities		**1,900,383**	2,302,621	**-**	-
Other financial liabilities	10	**12,412,535**	9,315,506	**9,172,736**	3,955,717
Bank overdraft	11	**2,731,935**	4,654,467	**-**	-
Bank loans		**546,509**	-	**-**	-
Lease liability		**2,706,553**	2,958,319	**-**	-
Current tax liabilities		**1,394,144**	791,421	**139,247**	-
		48,164,394	43,945,659	**10,937,023**	4,759,711
Non-current liabilities					
Debt securities in issue	12	**35,636,916**	35,596,464	**35,636,916**	35,596,464
Other payables	9	**446,985**	543,826	**-**	-
Other financial liabilities	10	**17,488,457**	3,078,375	**36,671,200**	17,722,813
Bank loans		**2,300,000**	100,000	**2,250,000**	-
Lease liability		**7,137,050**	7,541,426	**-**	-
Deferred tax liabilities		**1,619,789**	1,406,637	**-**	32,799
		64,629,197	48,266,728	**74,558,116**	53,352,076
Total liabilities		**112,793,591**	92,212,387	**85,495,139**	58,111,787
Net assets		**43,363,115**	45,062,773	**47,560,710**	48,704,957

Condensed Statements of Financial Position (Continued)
at 30 June 2020

	Group		Company	
	30 June 2020 Unaudited	**31 December 2019 Audited**	**30 June 2020 Unaudited**	**31 December 2019 Audited**
	Eur	**Eur**	**Eur**	**Eur**
Equity				
Share capital	**49,575,000**	49,575,000	**49,575,000**	49,575,000
Other equity	**(4,741,736)**	(4,741,736)	**154,629**	154,629
Exchange reserve	**(2,287,882)**	(745,327)	**-**	-
Accumulated losses	**(3,313,929)**	(2,861,061)	**(2,168,919)**	(1,024,672)
Equity attributable to owners of the company	**39,231,453**	41,226,876	**47,560,710**	48,704,957
Non-controlling interests	**4,131,662**	3,835,897	**-**	-
Total equity	**43,363,115**	45,062,773	**47,560,710**	48,704,957

The condensed interim financial information on pages 5 to 37 have been approved for issue by the board of directors on 28th August 2020 and were signed on its behalf by:

Charles Borg
Chairman

Geoffrey Camilleri
Director

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Condensed Statements of Changes in Equity

for the period ended 30 June 2020

Group

	Share capital	Other equity	Accumulated losses	Translation reserve	Attributable to equity holders of the parent	Non-controlling interests	Total equity
	Eur	Eur	Eur	Eur	Eur	Eur	Eur
Balance as at 1 January 2019	49,575,000	(4,741,736)	(5,519,637)	(1,040,142)	38,273,485	44,236	38,317,721
Transactions with owners:							
Dividend paid to minority interest	-	-	-	-	-	(3,336)	(3,336)
	49,575,000	(4,741,736)	(5,519,637)	(1,040,142)	38,273,485	40,900	38,314,385
Profit for the year	-	-	1,502,493	-	1,502,493	103,986	1,606,479
Other comprehensive income for the	-	-	-	294,815	294,815	-	294,815
Total comprehensive income	-	-	1,502,493	294,815	1,797,308	103,986	1,901,294
Non-controlling interest	-	-	1,156,083	-	1,156,083	3,691,011	4,847,094
	-	-	1,156,083	-	1,156,083	3,691,011	4,847,094
Balance as at 31 December 2019	**49,575,000**	**(4,741,736)**	**(2,861,061)**	**(745,327)**	**41,226,876**	**3,835,897**	**45,062,773**
Profit/(loss) for the period	-	-	(452,868)	-	(452,868)	295,765	(157,103)
Other comprehensive loss for the period	-	-	-	(1,542,555)	(1,542,555)	-	(1,542,555)
Total comprehensive income/(loss) for the period	-	-	(452,868)	(1,542,555)	(1,995,423)	295,765	(1,699,658)
Balance as at 30 June 2020	**49,575,000**	**(4,741,736)**	**(3,313,929)**	**(2,287,882)**	**39,231,453**	**4,131,662**	**43,363,115**

Holding company

	Share capital	Other equity	Retained earnings / (accumulated losses)	Total
	Eur	Eur	Eur	Eur
At 1 January 2019	49,575,000	154,629	103,192	49,832,821
Loss for the year	-	-	(1,127,864)	(1,127,864)
Total comprehensive income	-	-	(1,127,864)	(1,127,864)
At 31 December 2019	49,575,000	154,629	(1,024,672)	48,704,957
Loss for the period	-	-	(1,144,247)	(1,144,247)
Total comprehensive income	-	-	(1,144,247)	(1,144,247)
At 30 June 2020	**49,575,000**	**154,629**	**(2,168,919)**	**47,560,710**

Condensed Statements of Cash Flows
for the period ended 30 June 2020

	The group	The group	The company	The company
	1 January to 30 June 2020	1 January to 30 June 2019	1 January to 30 June 2020	1 January to 30 June 2019
	Eur	Eur	Eur	Eur
Operating activities				
Profit /(loss) before tax	505,644	(1,221,670)	(1,213,427)	(2,983,328)
Adjustments	2,698,835	1,676,224	(356,025)	2,247,341
Net changes in working capital	5,238,011	(4,865,842)	463,802	(112,762)
Interest paid	(260,577)	(24,323)	(8,395)	(14,229)
Net tax refunded/(paid)	(54,828)	47,227	279,891	146,523
Net cash generated from (used in) operating activities	**8,127,085**	**(4,388,384)**	**(834,154)**	**(716,455)**
Investing activities				
Payments to acquire plant and equipment	(364,234)	(253,187)	-	-
Payments to acquire intangible assets	(234,867)	-	-	-
Payments to acquire investment	(13,393,831)	-	(13,393,831)	-
Proceeds from disposal of plant and equipment	15,837	-	-	-
Repayments to parent company	-	-	(549,158)	-
Payments from subsidiaries	-			
Proceeds from related companies	19,053,438	-	13,550,162	-
Payments to related companies	(6,259,207)	(1,000,657)	(18,963)	(2,081,025)
Dividends received from subsidiaries	-	-	258,311	-
Net cash generated from (used in) investing activities	**(1,182,864)**	**(1,253,844)**	**(153,479)**	**(2,081,025)**

	The group	The group	The company	The company
	1 January to 30 June 2020	1 January to 30 June 2019	1 January to 30 June 2020	1 January to 30 June 2019
	€	€	€	€
Financing activities				
Proceeds from bank loan	2,646,509	2,500,000	2,250,000	1,500,000
Repayments of bank loans	(50,000)	(1,050,000)	-	-
Payments for lease obligations	(1,182,166)	-	-	-
Interest paid on leasing arrangements	(211,156)	-	-	-
Net cash (used in) generated from financing activities	**1,203,187**	**1,450,000**	**2,250,000**	**1,500,000**
Net change in cash and cash equivalents	**8,147,408**	**(4,192,228)**	**1,262,367**	**(1,297,480)**
Cash and cash equivalents, beginning of year	14,379,388	269,809	10,624,983	1,366,403
Cash and cash equivalents, end of period	**22,526,796**	**(3,922,419)**	**11,887,350**	**68,923**

1. Basis of preparation

The condensed interim financial statements for the half year ended 30 June 2020 have been extracted from the unaudited management accounts of the Group and the Company and have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting.

2 Significant accounting policies

The condensed interim financial statements have been prepared under the historic cost convention, except for financial instruments at fair value through profit or loss and available-for-sale financial assets, which are stated at their fair values. The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the group's and company's annual financial statements for the year ended 31 December 2019.

3. Segmental reporting

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

Revenue reported below represents revenue generated from external customers. There were no intersegment sales in the period. The group's reportable segments under IFRS 8 are direct sales attributable to each country where the group operates.

Throughout the period, the group operated in three principal geographical areas – Malta (country of domicile), Poland and UK.

Measurement of operating segment profit or loss, assets and liabilities

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

The accounting policies of the reportable segments are the same as the group's accounting policies.

3. Segmental reporting (continued)

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

Profit or loss before tax

	1 January to 30 June 2020 Unaudited	1 January to 30 June 2019 Unaudited
	Eur	Eur
Total profit for reportable segments	**2,407,443**	1,074,721
Other unallocated amounts	**(1,901,877)**	(2,296,391)
Profit/(loss) before tax	**505,566**	(1,221,670)

Assets

	30 June 2020 Unaudited	31 December 2019 Audited
	Eur	Eur
Total assets for reportable segments	**146,550,275**	113,872,917
Elimination of receivables	**(90,140,310)**	(95,953,695)
Unallocated amounts		
Property, plant and equipment	**1,969,048**	1,968,312
Right-of-use assets	**262,558**	447,219
Goodwill	**64,710,849**	50,977,993
Intangible assets	**10,378,180**	10,853,223
Loan and receivables	**5,525,310**	40,881,758
Deferred tax assets	**464,950**	144,738
Trade and other receivables	**2,534,206**	2,104,257
Cash and cash equivalents	**12,606,074**	10,928,860
Current tax assets	**20,002**	827,233
Other unallocated amounts	**1,275,564**	222,345
	156,156,706	137,275,160

3. Segmental reporting (continued)

Liabilities

	30 June 2020 Unaudited	31 December 2019 Audited
	Eur	Eur
Total liabilities for reportable segments	89,850,723	88,801,541
Elimination of liabilities	(50,135,051)	(63,424,411)
Unallocated amounts		-
Bank loans	2,250,000	-
Other financial liabilities	23,564,349	29,155,871
Lease liabilities	251,330	460,190
Deferred tax liabilities	371,910	404,709
Debt securities in issue	35,636,916	35,596,464
Trade and other payables	10,921,109	1,218,023
Other unallocated amounts	82,305	-
	112,793,591	92,212,387

3. Segmental reporting (continued)

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

	Retail and IT Solutions (Poland) 2020	Payment processing services 2020	IT solutions and security systems 2020	Logistics 2020 (Malta, UK and Poland)	Total 2020	Unallocated 2020	Eliminations and adjustments 2020	Consolidated 2020
	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur
Revenue	45,195,853	3,780,326	5,991,195	10,647,873	65,615,247	829,287	(2,772,804)	63,671,730
Profit/(loss) before tax	(3,422)	1,927,043	161,651	322,171	2,407,443	(193,109)	(1,708,768)	505,566
Depreciation and amortisation	2,108,173	190,696	186,774	265,242	2,750,885	3,932	(18,329)	2,736,488
Segment assets	111,733,960	4,864,667	9,746,079	20,205,570	146,550,276	152,401,359	(142,794,929)	156,156,706
Capital expenditure	435,393	215,634	51,601	73,760	776,388	15,730	-	792,118
Segment liabilities	70,893,630	2,783,252	8,851,811	7,322,031	89,850,724	93,389,838	(70,446,971)	112,793,591
Income tax (expense)/credit	(753)	674,473	56,570	68,865	799,155	318,136	(454,622)	662,669

3. Segmental reporting (continued)

	Retail and IT Solutions (Poland) 2019	Payment processing services 2019	IT solutions and security systems 2019	Logistics 2019 (Malta and Poland)	Total 2019	Unallocated 2019	Eliminations and adjustments 2019	Consolidated 2019
	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur
Revenue	40,507,987	2,954,890	5,147,206	8,579,286	57,189,369	1,021,570	(2,637,493)	55,573,446
Profit/(loss) before tax	(959,342)	1,522,932	172,565	338,566	1,074,721	(2,666,907)	370,516	(1,221,670)
Depreciation and amortisation	(637,322)	(140,615)	(42,594)	(67,815)	(888,346)	(49,048)	13,498	(923,896)
Segment assets	93,446,688	4,077,031	8,991,426	7,357,772	113,872,917	122,129,191	(98,726,948)	137,275,160
Capital expenditure	253,187	-	-	-	253,187	-	-	253,187
Segment liabilities	73,516,755	2,348,186	8,202,239	4,734,362	88,801,542	66,315,987	(62,905,142)	92,212,387
Income tax (expense)/credit	196,645	(543,483)	(58,823)	(85,592)	(491,253)	582,365	351,080	442,192

4. Revenue

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

	The group June 2020 €	The group 2019 €	The company June 2020 €	The company 2019 €
Sale and distribution of Apple products	45,663,722	42,201,443	-	-
Logistics and transport services	10,707,873	8,639,286	-	-
Rendering of services and development	2,746,870	793,596	-	-
Maintenance, support and servicing	1,550,073	1,556,777	-	-
Payment gateway services	3,003,192	2,382,344	-	-
Management fees	-	-	333,333	540,000
	63,671,730	**55,573,446**	**333,333**	**540,000**

5. Goodwill

Group

	Eur
At 01.01.2019	54,285,881
Effect of exchange differences on the retranslation of goodwill on foreign subsidiaries	304,819
Amounts recognised on acquisition of a subsidiary within the group	176,681
Impairment of goodwill	(3,789,388)
At 31.12.2019	50,977,993
Effect of exchange differences on the retranslation of goodwill on foreign subsidiaries	(1,314,199)
Amounts recognised on acquisition of a subsidiary within the group	15,047,053
At 30.06.2020	64,710,847

5. Goodwill (continued)

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

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

Determining whether the carrying amounts of these assets can be realised requires an estimation of the recoverable amount of the cash generating units. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value.

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

At 30 June 2020, goodwill was allocated as follows:

1. €20,347,000 (31 December 2019: €21,299,587) to the polish subsidiary iSpot Poland Sp. z.o.o. which operates the Apple Premium Reseller Business;
2. €3,357,248 (31 December 2019: €3,357,248) to APCO Systems Limited which operates the electronic payment gateway.
3. €2,671,762 (31 December 2019: €2,671,762) to APCO Limited which operates in the business of selling and maintenance of IT solutions and security systems.
4. €1,464,476 (31 December 2019: €1,464,476) to PTL Limited which operates in the business of selling and maintenance of IT solutions and security systems.
5. €36,870,361 (31 December 2019: €22,184,920) to Hili Logistics group which operates in the business of providing road, sea and air logistics services, as well as to STS Marine Solutions Limited which operates in oil STS and LNG STS business.

CGU – Retail and IT solutions (Poland)

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

5. Goodwill (continued)

Following the assessment that the directors carried out on this CGU's goodwill as at 31 December 2019 and after registering better than expected performance in the first six months of 2020 despite the COVID-19 pandemic, the directors are comfortable with the current headroom and thus decided not to carry out a thorough assessment for these interim unaudited financial statements.

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

CGU – Payment Processing Services

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

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

- Forecasted cash flow projections for the next three years and the projection of terminal value using the perpetuity method;
- Growth rates to perpetuity of 0.18% - 30 June 2020 (31 December 2019: 0.26%); and
- Use of 16.2% (pre-tax) – 30 June 2020 (31 December 2019: 14.5% - pre-tax) to discount the projected cash flows to net present values.

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

CGU – IT Solutions and Security Systems

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

5. Goodwill (continued)

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

- Forecasted cash flow projections for the next three years and the projection of terminal value using the perpetuity method;
- Growth rates to perpetuity of 0.18% - 30 June 2020 (31 December 2019: 0.26%); and
- Use of 15.9% - 18.6% (pre-tax) – 30 June 2020 (31 December 2019: 13.9% - 17.1% - pre-tax) to discount the projected cash flows to net present values.

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

CGU – Logistics

The directors of Hili Logistics Limited consider that the logistics business represents one single, consistent, and homogenous operating segment. In defining this assumption for the purpose of testing goodwill for impairment, the directors consider that although the entity has essentially three operating interests, each component on its own is not representative of a separate component of the group's operations. Moreover, decisions about resource allocation are made for the logistics operations of Malta, UK, Jersey and Poland as a whole. We note that at 30 April 2020 we have bought part of the STS business from Teekay Tankers Limited. The goodwill in the logistics unit has resulted in an additional goodwill amounting to €15,047,053. We note that the STS business acquired earlier this year is closely aligned to the Maltese operations which Carmelo Caruana Co. Limited considers as its core function. The STS business which is carried out in Malta is dependent on the shared expertise, business development and on going collaboration between the unit at Carmelo Caruana Co. Limited and STS Marine Solutions Limited. Without this collaboration, the carrying out of operations at Malta level as well in other parts of the Mediterranean as determined from time to time may not be viable, competitive or even possible given the fact that the costs which both entities incur would be higher. In view of this the directors consider the logistics business to be one cash-generating unit (CGU).

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

5. Goodwill (continued)

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

- Forecasted cash flow projections for the next three years and the projection of terminal value using the perpetuity method;
- Growth rates to perpetuity of 0.18% - 30 June 2020 (31 December 2019: 0.26%); and
- Use of 11.2% - 15.5% (pre-tax) – 30 June 2020 (31 December 2019: 10.4% - 14.1% - pre-tax) to discount the projected cash flows to net present values.

Subsequent to year end, as part of this CGU's restructuring exercise, the operations of all the subsidiaries of Hili Logistics that are based in Malta, will be taken over by one of the group's indirect subsidiaries, being Carmelo Caruana Company Limited.

In their calculations, the directors have also taken into account the plans to restructure the composition of the Hili Logistics Unit during 2020, which is expected to be completed by the end of that financial year.

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

6. Intangible assets

Group

	Eur
Cost	
At 01.01.2019	12,738,064
Additions	385,304
Disposals	(114,141)
Effect of foreign exchange differences	87,349
At 31.12.2019	13,096,576
Additions	234,865
Effect of foreign exchange differences	(485,180)
At 30.06.2020	12,846,261
Amortisation	
At 01.01.2019	638,350
Provision for the period	328,126
Released on disposal	(34,876)
Effect of foreign exchange differences	(12,073)
At 31.12.2019	919,527
Provision for the period	196,622
At 30.06.2020	1,116,149
Carrying amount	
At 31.12.2019	**12,177,049**
At 30.06.2020	**11,730,112**

There were no significant change in the key assumptions during the interim period

7. Right of use asset

	Buildings	Motor vehicles	IT equipment	Total
	Eur	**Eur**	**Eur**	**Eur**
Gross carrying amount				
Adjustment on transition to IFRS 16 at 1 January 2019	12,960,802	450,364	48,110	13,459,276
Additions	-	76,633	-	76,633
At 31 December 2019	12,960,802	526,997	48,110	13,535,909
At 1 January 2020	12,960,802	526,997	48,110	13,535,909
Additions	1,049,598	20,156	-	1,069,754
Effect of foreign exchange differences	(562,959)	-	-	(562,959)
Adjustment	(552,523)	-	-	(552,523)
At 30 June 2020	12,894,918	547,153	48,110	13,490,181
Depreciation				
Provision for the year	3,079,535	127,038	34,839	3,241,412
At 31 December 2019	3,079,535	127,038	34,839	3,241,412
At 1 January 2020	3,079,535	127,038	34,839	3,241,412
Provision for the period	1,479,081	53,349	6,014	1,538,444
Effect of foreign exchange differences	(199,712)	-	-	(199,712)
Adjustment	(369,901)	-	-	(369,901)
At 30 June 2020	3,989,003	180,387	40,853	4,210,243
Carrying amount				
At 31 December 2019	**9,881,267**	**399,959**	**13,271**	**10,294,497**
At 30 June 2020	**8,905,915**	**366,766**	**7,257**	**9,279,938**

7. Right of use asset (continued)

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

The group has elected to disclose right-of-use assets separately in these financial statements. The information pertaining to the gross carrying amount, depreciation recognised during the period and other movements in right-of-use assets is included in the above table.

On transition to IFRS 16 the weighted average incremental borrowing rates applied to lease liabilities recognised under IFRS 16 was 3% on leases in Poland for the retail and IT solutions and 3.93% on leases in Malta and Poland for all other operations. The transition date was 1 January 2019. At this date, the group had elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition. All additions to right-of-use assets during 2019 have been recognised using the same rate of 3.93% as there were no changes in the such rate on the date when the new leases came into effect. This rate was also applied to new additions to right-of-use assets during 2020 as there were no significant changes to the discount rate used by the Group since most of the leased assets are with related parties and market conditions surrounding such rentals have not changed significantly. The incremental borrowing rate will be re-assessed every time a new lease is entered into by the group and the corresponding right-of-use asset recognised. New leases are assessed on a case-by-case basis.

On transition to IFRS 16, the group has also applied single discount rates to its portfolio of building leases as these have reasonably similar characteristics. Upon initial recognition, most of the buildings leased by the group in Malta and the logistics business in Poland had similar remaining lease terms and utilised in a similar economic and commercial environment. For leases of the outlets pertaining to the retail and IT solutions in Poland, the group has applied the discount rate of 3% applicable for each lease agreement and according to the lease duration due to the number of outlets occupied by this division in that country. In addition, the group has financed all of its obligations internally and has therefore not been subject to market fluctuations in the interest rate from its borrowings with third-parties. The group does not expect this rate to vary significantly in the foreseeable future. Motor vehicles and IT equipment classified under right-of-use assets, are not considered by the group to be significant and therefore their initial measurement was not subject to a high degree of uncertainty upon recognition from the transition to IFRS 16.

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

	30 June 2020 Unaudited	31 December 2019 Audited
	Eur	Eur
Current:		
Lease liability	**2,706,553**	2,958,319
Non-current:		
Lease liability	**7,137,050**	7,541,426
	9,843,603	10,499,745

7. Right of use asset (continued)

The group has leases for its buildings, motor vehicles and IT equipment. With the exception of short-term leases and variable lease payments, each lease is included in the statement of financial position as a right-of- use asset and a lease liability. The group does not have any leases of low-value underlying assets which do not depend on an index or a rate (such as lease payments based on a percentage of group sales). The company classifies its right-of-use assets in a consistent manner to its plant and equipment as applicable.

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

8. Trade and other receivables

The balance of trade and other receivables is made up as follows:

	Group		Company	
	30 June 2020 Unaudited	**31 December 2019 Audited**	**30 June 2020 Unaudited**	**31 December 2019 Audited**
	Eur	Eur	**Eur**	Eur
Trade receivables	**12,211,427**	8,134,711	**525,864**	-
Amounts owed by ultimate parent	**-**	654	**-**	-
Amounts owed by associates	**-**	512,067	**-**	-
Amounts owed by related parties	**95,427**	1,500,457	**-**	-
Other receivables	**1,038,294**	38,342	**-**	26,069
Prepayment and accrued income	**1,984,555**	360,530	**-**	137,500
Financial assets	**15,329,703**	10,546,761	**525,864**	163,569
Other receivables	**-**	1,258,490	**-**	190,515
Trade and other receivables - current	**15,329,703**	11,805,251	**525,864**	354,084

No interest is charged on trade and other receivables.

8. Trade and other receivables (continued)

Allowance for estimated irrecoverable amounts

Trade and other receivables are stated net of an allowance for estimated irrecoverable amounts from trade receivables amounting to Eur12,211,427 (2019 – Eur 8,134,711).

9. Trade and other payables

The balance of trade and other payables is made up as follows:

	Group		Company	
	30 June 2020 Unaudited	**31 December 2019 Audited**	**30 June 2020 Unaudited**	**31 December 2019 Audited**
	Eur	Eur	**Eur**	Eur
Trade payables	**16,886,276**	15,343,844	**135,553**	85,512
Amounts payable to related parties	**904,054**	57,663	**-**	-
Other payables	**501,324**	400,082	**-**	203,230
Accruals and deferred income	**2,518,967**	2,599,536	**1,489,487**	515,252
	20,810,621	18,401,125	**1,625,040**	803,994
Other creditors	**4,557,308**	3,864,071	**-**	-
Deferred income	**1,551,391**	2,201,955	**-**	-
Trade and other payables	**26,919,320**	24,467,151	**1,625,040**	803,994
Comprising				
Long term payables				
Trade and other payables	**446,985**	543,826	**-**	-
	446,985	543,826	**-**	-
Current payables				
Trade and other payables	**26,472,335**	23,923,325	**1,625,040**	803,994
	26,472,335	23,923,325	**1,625,040**	803,994

10. Other financial liabilities

	The Group June 2020 Eur	The Group 2019 Eur	The Company June 2020 Eur	The Company 2019 Eur
Amounts owed to ultimate parent	4,916,365	6,120,075	2,555,333	3,800,000
Amounts owed to joint venture	-	-	155,717	155,717
Amounts owed to other related parties	7,108,986	273,806	7,000,131	-
Amounts owed to subsidiaries	-	-	24,257,114	17,722,813
Amounts owed to a third party	17,875,641	6,000,000	11,875,641	-
	29,900,992	**12,393,881**	**45,843,936**	**21,678,530**
Comprising:				
Non-current liabilities				
Other financial liabilities	17,488,457	3,078,375	36,671,200	17,722,813
Current liabilities				
Other financial liabilities	12,412,535	9,315,506	9,172,736	3,955,717

11. Bank overdrafts and loans

Group

The group's bank loans and overdraft facilities bear effective interest at a floating rate of 5.11% (December 2019 – 5.14%) p.a.

Bank overdraft facilities amounting to Eur2,731,935 are in place for the following group companies:

	Eur
Carmelo Caruana Company Limited	644,222
Ipsyon Limited	302,379
Ispot	1,785,334
	2,731,935

Bank overdraft usage at 30 June 2020 amounted to Eur 2,731,935 across group companies.

Bank loans as at 30 June 2020 amounted to Eur 2,846,509 as follows:

	Eur
Ipsyon Limited	596,509
1923 Investments p.l.c.	2,250,000
	2,846,509

11. Bank overdrafts and loans (continued)

Harvest Technology p.l.c. has three overdraft facilities in two of its subsidiaries. One of the overdraft facilities bears interest at 4.85% per annum and is secured by a general hypothec over one of the subsidiaries' assets. The other overdraft facility available to the same subsidiary bears interest at 5.5% per annum and is unsecured. Harvest Technology p.l.c. has another bank overdraft in another subsidiary which bears interest at 3.5% per annum and is secured by a first general hypothec over the assets of that subsidiary.

During 2020, one of the subsidiaries of Harvest Technology p.l.c. entered into a new general banking facility agreement with one of the local banks to finance its overseas project in Mauritius. The facility amounted to Eur3,894,000 and comprises of guarantees issued in favour of a third party and other lines of credit. At 30 June 2020, this subsidiary utilised Eur1,394,000 in guarantees in favour of such third party as well as a US$500,000 loan issued to the entity (equivalent to Eur446,510 and is still outstanding at 30 June 2020 as disclosed above). The facility bears interest at 2.5% per annum over 3-month LIBOR. Amounts outstanding are repayable in full by 15 December 2020. The facility is secured to the extent of Eur2,970,300 by Harvest Technology plc and the remainder by the subsidiary.

1923 Investments p.l.c. has one bank credit facility. The investment credit facility bears interests at a variable interest rate that amounted to 3.75% (2019: Nil) at 30 June 2020.

12. Debt securities in issue

In December 2014, the company issued 360,000 5.1% unsecured bonds of a nominal value of *Eur100* per bond. The bonds are redeemable at their nominal value on 4 December 2024. Interest on the bonds is due and payable annually on 4 December of each year. The bonds are listed on the Official List of the Malta Stock Exchange.

The carrying amount of the bonds is net of direct issue costs of Eur362,994 (December 2019 – *Eur403,536*) which are being amortised over the life of the bonds. The market value of debt securities on the last trading day before the statement of financial position date was at Eur99.98 resulting in a market value of Eur35,992,800 (December 2019 – *Eur37,440,000*).

13. Related party transactions

During the course of the year, the group and the company entered into transactions with related parties, as set out below.

Group

	2020			2019		
	Related party activity Unaudited	Total activity Unaudited		Related party activity Unaudited	Total activity Unaudited	
	Eur	Eur	%	Eur	Eur	%
Revenue						
Related party transactions with:						
Other related parties	438,319	63,671,730	0.69%	714,914	55,573,446	1.29%
Cost of sale						
Related party transactions with:						
Other related	684,949	53,758,216	1.27%	125,065	48,245,470	0.26%
Administrative expenses Related						
Related party transaction with:						
Other related parties	213,710			755,849		
Parent company	173			411,917		
	213,883	8,178,725	2.62%	1,167,766	7,347,055	15.89%

13. Related party transactions (continued)

Holding company

	2020			2019		
	Related party activity Unaudited	Total activity Unaudited		Related party activity Unaudited	Total activity Unaudited	
	Eur	Eur	%	Eur	Eur	%
Revenue						
Related party transactions with:						
Other related parties	333,333	333,333	100%	540,000	540,000	100%
Administrative expenses:						
Related party transactions with:						
Parent company	5,090	231,667	2.2%	380,332	2,543,770	14.95%
Investment income						
Related party transaction with:						
Subsidiaries	(38,703)	(38,703)	100.%	362,417	362,417	100%

14. Fair value of financial assets and financial liabilities

At 30 June 2020 and 31 December 2019, the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively approximated their fair values due to the short-term maturities of these assets and liabilities.

The fair values of non-current financial assets and non-current financial liabilities that are not measured at fair value, other than the shares in subsidiary companies that are carried at cost, and the debt securities in issue (where fair value is disclosed in note 12), are not materially different from their carrying amounts due to the fact that the interest rates are considered to represent market rates at the year end.

The fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

The fair value of the derivative financial instruments is established by using a valuation technique. Valuation techniques comprise discounted cash flow analysis. The valuation technique is consistent with generally accepted economic methodologies for pricing financial instruments. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the rates at end of the reporting period and the credit risk inherent in the contract.

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

14. Fair value of financial assets and financial liabilities (continued)

Group

	Fair value measurement at end of reporting period using				
	Level 1	**Level 2**	**Level 3**	**Total**	**Carrying amount**
	Eur	**Eur**	**Eur**	**Eur**	**Eur**
Financial assets					
Loans and receivables					
Receivables from related parties	-	10,734,669	-	10,734,669	10,734,669
As at 31.12.2019	-	10,734,669	-	10,734,669	10,734,669
Receivables from related parties	**-**	**4,204,480**	**-**	**4,204,480**	**4,204,480**
As at 30.06.2020	**-**	**4,204,480**	**-**	**4,204,480**	**4,204,480**
Financial liabilities at amortised cost					
Related party loans	-	12,393,881	-	12,393,881	12,393,881
Bank overdrafts and loans	-	4,754,467	-	4,754,467	4,754,467
Debt securities	37,440,000	-	-	37,440,000	35,596,464
As at 31.12.2019	37,440,000	17,148,348	-	54,588,348	52,744,812
Related party loans	**-**	**29,900,992**	**-**	**29,900,992**	**29,900,992**
Bank overdraft and loans	**-**	**5,578,444**	**-**	**5,578,444**	**5,578,444**
Debt securities	**35,992,800**	**-**	**-**	**35,992,800**	**35,636,916**
As at 30.06.2020	**35,992,800**	**35,479,436**	**-**	**71,472,236**	**71,116,352**

14. Fair value of financial assets and financial liabilities (continued)

Holding company

	Fair value measurement at end of reporting period using				
	Level 1	Level 2	Level 3	Total	Carrying amount
	Eur	Eur	Eur	Eur	Eur
Financial assets					
Loans and receivables	-	39,530,169	-	39,530,169	39,530,169
As at 31.12.2019	-	39,530,169	-	39,530,169	39,530,169
Receivables from related parties	**-**	**38,615,213**	**-**	**38,615,213**	**38,615,213**
As at 30.06.2020	**-**	**38,615,213**	**-**	**38,615,213**	**38,615,213**
Financial liabilities at amortised cost					
Related party loans	-	21,678,530	-	21,678,530	21,678,530
Debt securities	37,440,000	-	-	37,440,000	35,596,464
As at 31.12.2019	37,440,000	21,678,530	-	59,118,530	57,274,994
Related party	**-**	**45,843,936**	**-**	**45,843,936**	**45,843,936**
Debt securities	**35,992,800**	**-**	**-**	**35,992,800**	**35,636,916**
As at 30.06.2020	**35,992,800**	**45,843,936**	**-**	**81,836,736**	**81,480,852**

15. Financial instrument risk

Risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments.

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

The objectives, policies and processes for managing financial risks and the methods used to measure such risks are subject to continual improvement and development. Where applicable, any significant changes in the Group's exposure to financial risks or the manner in which the Group manages and measures these risks are disclosed below. Any re-assessment of risk considered by management to be of significance has been disclosed in the appropriate risk analysis below.

15. Financial instrument risk (continued)

15.1 Market risk analysis

Foreign currency risk

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

The Group is not expected to have significant movements on exchange as it continues to monitor and manage its risks closely to minimise any impact from currency movements. As a result, management does not expect to have significant currency movements on such transactions.

Interest rate risk

The Group has loans and receivables, debt securities in issue and other financial liabilities with a fixed coupon. The Group also has cash at bank which is not subject to significant fluctuations in interest rates. During 2020, the Group has taken out an additional interest bearing facilities as disclosed in note 11. The interest rates on all of the Group's bank borrowings and the terms of such borrowings are disclosed accordingly within such note.

As a result, the Group is not exposed to significant interest rate risk as most of its interest bearing receivables and payables are either subject to a fixed interest rate or to a rate which is not considered by management to be subject to significant fluctuations until full settlement of the borrowings, which comprise mainly borrowings from bank.

15.2 Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to credit risk from financial assets including cash and cash equivalents held at banks, loans and receivables, trade and other receivables.

Credit risk management

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

Loans and receivables and certain trade receivables comprise amounts due from related parties. The Group and company's concentration to credit risk arising from these receivables are considered limited as there were no indications that these counterparties are unable to meet their obligations. Management considers these to be of good credit quality.

15. Financial instrument risk (continued)

The Group and the company hold money exclusively with institutions having high quality external credit ratings. The cash and cash equivalents held with such banks at 30 June 2020 and 31 December 2019 are callable on demand. The banks with whom cash and cash equivalents are mainly held form part of an international group with an A credit rating by Standard and Poor's and similar high ratings by other agencies. The group also holds cash with a local bank having a credit rating of BBB- by Standard and Poor's. Cash held by the group with other local banks for which no credit rating is available are not significant. The group also holds an amount of cash and cash equivalents with an international bank, through the acquisition of a new subsidiary, whose credit rating is BBB+ by Standard and Poor's. Such amount is not however considered to be significant to the group and management considers such bank to be a reputable bank that operates in the international banking industry. Management considers the probability of default from such banks to be close to zero and the amount calculated using the 12-month expected credit loss model to be very insignificant. Therefore, based on the above, no loss allowance has been recognised by the group and the company. The Group has also considered the financial position of institutions with whom the Group holds significant cash to determine whether the impact of Covid-19 has increased the likelihood of default which may pose significant risks on the Group's cash held with them. The Group has determined that such financial institutions do not pose a significant risk on the recoverability on the Group's cash resources.

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

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

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

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

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

The Expected Credit Loss (ECL) at 30 June 2020 was estimated based on a range of forecast economic scenarios as at that date, including management's assessment of any impact from the effects of Covid-19 on the Group as explained further below.

15. Financial instrument risk (continued)

Trade receivables

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

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

The expected loss rates are based on the payment profile for sales over the past 36 months before 30 June 2020 and 31 December 2019 respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forward looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. The Group has identified gross domestic product (GDP) and unemployment rates of the countries in which the customers are domiciled to be the most relevant factors and accordingly adjusts historical loss rates for expected changes in these factors. However given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

In addition to the above assessments on the recoverability and expected credit loss provisions on trade and other financial assets, the Group has considered the effects of Covid-19 on all economies in which its customers are based, especially and more specific in Malta, UK and Poland, where significant business is being conducted. It has also taken into consideration the financial position of, and risk exposure to, large customers in order to determine whether the Group's credit risk has increased as a result of the pandemic. There are no particular indicators that suggest that the assessment of the expected credit risk model adopted by the Group materially varies from expectations of collectability and previous patterns of payments from such customers. Furthermore, subsequent to the end of the reporting period, the Group has received a significant amount of collections from due balances outstanding at 30 June 2020. While the Group continues to closely monitor all of its financial assets at more frequent intervals as a result of such events, management considers that the level of ECL provisions at period end remains adequate.

15.3 Liquidity risk

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

Management considers that the Group is not exposed to a significant amount of liquidity risk as it continues to efficiently manage its liquidity needs on a timely basis, even with the onset of the Covid-19 pandemic. The Group has not encountered any particular difficulties to collect amounts due from customers and collections remain within expectations as explained above.

15. Financial instrument risk (continued)

15.4 Financial instruments measured at fair value

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

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

At 30 June 2020 and 31 December 2019, the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively approximated their fair values due to the short-term maturities of these assets and liabilities.

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

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

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

16. Contingent liabilities

At 30 June 2020, one of the group's subsidiaries within Harvest Technology p.l.c. had issued guarantees amounting to € 700,000 (31 December 2019: € 600,000) in relation to bank facilities granted to related undertakings. The same subsidiary also had guarantees amounting to € 225,300 granted to third parties as collateral for liabilities.

During 2020, the same subsidiary entered into a new general banking facility agreement with one of the local banks to finance its overseas project in Mauritius.

iSpot signed an agreement with HSBC on line guarantees and letters of credit in the amount of Eur22,329,443 (31 December 2019: Eur23,844,202).

16. Contingent liabilities (continued)

At the end of the reporting period, one of the group's subsidiaries under Hili Logistics Limited, together with other related parties provided guarantees in the amount of Eur7,590,496 (31 December 2019: Eur7,590,496) in relation to bank facilities granted to related undertakings. In the directors' opinion no provision is required against such amounts as the principal borrowers are either not expected to default or such facilities are secured by property, plant and equipment a first general hypothec of Eur831,749 or other guarantors.

In 2016, a claim was made against one of the group's subsidiaries by a third party for compensation due to injuries incurred during the discharge of his duties. The estimated value of the claim amounted to Eur112,549.

At 30 June 2020, the group had an overdraft facility through Allcom, one of its subsidiaries in Poland, which was secured by the promissory note and public guarantee within de minimis aid.

Allcom has provided a guarantee for a total of PLN1,800,000, equivalent to Eur403,950 (31 December 2019: PLN6,000,000, equivalent to Eur1,409,509) to the customs office in Poland, through a financial institution in the same country, to secure customs payments realised on behalf of its clients. There was no utilisation of the guarantee as at the end of the reporting periods. The guarantee issued by Ergo Hestia S.A. is secured on the perpetual usufruct of land and buildings in Bolszewo for a total of PLN2,340,000, equivalent to Eur525,135.

17. Events after the end of the reporting period

In order to position Carmelo Caruana Company Limited more appropriately for future growth in the shipping industry, it has been decided by the board of directors that a restructuring of the business is necessary. Consequently, the company will not continue its operations in freight forwarding business in the second half of 2020 but will focus on ship to ship services, ship agency and warehousing activities.

There were no other significant events after the end of the reporting period.

1923 Investments p.l.c.

Statement Pursuant to Listing Rules 5.75.3 issued by the Listing Authority for the period ended 30 June 2020

We confirm that to the best of our knowledge:

(a) the condensed interim financial statements give a true and fair view of the financial position of 1923 Investments p.l.c. (the "company") and its subsidiaries (the "group") as at 30 June 2020, and the financial performance and cash flows of the company and the group for the half year then ended, which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU applicable to interim financial reporting (International Accounting Standard 34 – Interim Financial Reporting); and

(b) the interim Directors' report includes a fair review of the information required in terms of Listing Rules 5.81 to 5.84.

Approved by the Board of Directors on 28th August 2020 and signed on its behalf by:

Charles Borg
Chairman

Geoffrey Camilleri
Director