IMPRESA LIMITED

Annual Report and Consolidated
Financial Statements
31 December 2018

Company Registration Number: C 58665

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2018.

Principal activities

The Group's principal activities, as exercised by the holding company and its subsidiaries, and which are substantially unchanged since last year, are mainly the manufacture of electronic packaging products, electrical fittings and other injection moulded products for third parties.

Review of business

The Group's turnover for the year increased by 36.1% from €6.1M during the year ending 31 December 2017 to €8.3M during the year ending 31 December 2018.

Cost of Sales increased by 48%. This needs to be adjusted down by reference to Note 17 of the financial statements, reversing the effect to write off certain slower moving items of inventory amounting to €272K bringing the increase down to 43% which is in the range of products that can be expected given the mix of products that the Group deals in.

The directors believe that the Group has also managed to achieve substantial cost savings during the year following its investment in new machinery through energy efficiency, higher productivity and improved yields. This clearly shows that the Group has managed to operate more efficiently and for better profit margins. More detail may be found in Note 17 of the financial statements.

During 2018 there was a significant increase in other income generated by the Group. At the end of 2017, Elepac (one of the subsidiaries within the Group) entered into discussions with Malta Enterprise on the possibility of constructing a new purposely built factory which would release the Group's inherent limitations which exist at the current Bulebel site.

In this regard, Malta Enterprise approved the Group's investment of €7,458M resulting in the following:

1. An Emphyteusis agreement for land measuring circa 9,000m^2 in Hal Far for the purpose of constructing a new factory;
2. A one-time grant against the release of the Bulebel lease held by Elepac amounting to €2,508,400; and
3. Tax credits amounting to €1,491,600 being 20% of the total investment.

Further details of this transaction may be found in Note 20 to the financial statements.

In order to adequately assess the performance of the Group, any other income not generated from core business activities should be eliminated. In this regard, whilst in 2017 the EBITDA emanating from the Group's core business amounted to €1,015K (excluding other income and any increase in inventory and receivable provisions), the EBITDA in 2018 was in fact €1,164K, a year on year growth in core business results of 15%. The Group believes that the benefits from the investment and operational cost measures will continue to improve the company's core business performance in the coming years.

It is important to note that over the past five years the Group invested around €3.8M in new product lines and/or extensions to the existing operations with the objective of increasing profitability and improving its statement of financial position.

Directors' report - continued

Results and dividends

The statements of comprehensive income are set out on page 10. The directors have authorised the payment of an interim dividend of €425,000. They do not recommend the payment of a final dividend.

Directors

The directors of the company who held office during the year were:

Mr. Paul Mercieca – Appointed on 31 December 2018
Mr. Charles Borg – Appointed on 2 March 2017 and resigned on 31 December 2018
Mr. Joseph Borg
Mr. Anton Borg
Mr. Mark Joseph Borg – Appointed on 2 March 2017
Mr. Julian Edward Borg – Appointed on 2 March 2017
Ms. Kristina Borg (Executive Director) – Appointed on 12 September 2017
Eng. Joseph Restall – Appointed on 2 March 2017
Mr. Nicholas Borg – Appointed on 2 March 2017

The Company's Articles of Association do not require any director to retire.

Statement of directors' responsibilities for the financial statements

The directors are required by the Maltese Companies Act, 1995 to prepare financial statements which give a true and fair view of the state of affairs of the Group and the parent company as at the end of each reporting period and of the profit or loss for that period.

In preparing the financial statements, the directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business as a going concern.

Directors' report - continued

Statement of directors' responsibilities for the financial statements - continued

The directors are also responsible for designing, implementing and maintaining 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, and that comply with the Maltese Companies Act, 1995. They are also responsible for safeguarding the assets of the Group and the parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

On behalf of the board

Mr Anton Borg
Director

Mr. Joseph Borg
Director

Registered office
BLB 018, Bulebel Industrial Estate
Zejtun, ZTN 3000
Malta

28 March 2019

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Independent auditor's report

To the Shareholders of Impresa Limited

Report on the audit of the financial statements

Our opinion

In our opinion:

- Impresa Limited's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the Group and the parent company's financial position as at 31 December 2018, and of the Group and the parent company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of Maltese Companies Act (Cap. 386).

What we have audited

Impresa Limited's financial statements, set out on pages 8 to 41, comprise:

- the consolidated and parent company statements of financial position as at 31 December 2018;
- the consolidated and parent company statements of comprehensive income for the year then ended;
- the consolidated and parent company statements of changes in equity for the year then ended;
- the consolidated and parent company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these codes.

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Independent auditor's report - continued

To the Shareholders of Impresa Limited

Other information

The directors are responsible for the other information. The other information comprises the *Directors' report* (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report. Our opinion on the financial statements does not cover the other information, including the directors' report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the directors' report, we also considered whether the directors' report include the disclosures required by Article 177 of the 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 Companies Act (Cap. 386).

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the directors' report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU, 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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Independent auditor's report - continued

To the Shareholders of Impresa Limited

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's 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 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 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.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Independent auditor's report - continued

To the Shareholders of Impresa Limited

Report on other legal and regulatory requirements

Other matters on which we are required to report by exception

We also have responsibilities under the Maltese Companies Act, 1995 to report to you if, in our opinion:

- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.
- We have not received all the information and explanations we require for our audit.
- Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

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

PricewaterhouseCoopers
78, Mill Street
Qormi
Malta

David Valenzia
Partner

28 March 2019

Statements of financial position

		As at 31 December			
		Group		Company	
	Notes	**2018**	2017	**2018**	2017
		€	€	**€**	€
ASSETS					
Non-current assets					
Property, plant and equipment	4	**3,997,214**	2,505,739	**-**	-
Intangible assets	5	**2,997,500**	2,997,500	**-**	-
Investment in subsidiaries	6	**2,329**	2,329	**3,047,000**	3,047,000
Available-for-sale financial assets	7	**9,477**	9,477	**-**	-
Deferred tax asset	8	**420,868**	342,906	**-**	-
Trade and other receivables	10	**-**	-	**492,444**	-
Total non-current assets		**7,427,388**	5,857,951	**3,539,444**	3,047,000
Current assets					
Inventories	9	**1,315,897**	1,745,571	**-**	-
Trade and other receivables	10	**3,543,842**	989,700	**2,979**	64,768
Cash and cash equivalents	11	**349,921**	800,466	**4**	4
Total current assets		**5,209,660**	3,535,737	**2,983**	64,772
Total assets		**12,637,048**	9,393,688	**3,542,427**	3,111,772

Statements of financial position - continued

	Notes	As at 31 December			
		Group		Company	
		2018	2017	**2018**	2017
		€	€	**€**	€
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	12	**500,000**	500,000	**500,000**	500,000
Reserves	13	**65,115**	64,534	**-**	-
Retained earnings		**4,729,200**	2,370,095	**5,872**	4,083
Total equity		**5,294,315**	2,934,629	**505,872**	504,083
Non-current liabilities					
Borrowings	14	**3,621,967**	4,331,568	**-**	-
Trade and other payables	15	**561,892**	323,661	**-**	-
Total non-current liabilities		**4,183,859**	4,655,229	**-**	-
Current liabilities					
Borrowings	14	**1,407,837**	536,883	**-**	-
Trade and other payables	15	**1,741,164**	1,252,617	**3,036,555**	2,607,689
Current taxation		**9,873**	14,330	**-**	-
Total current liabilities		**3,158,874**	1,803,830	**3,036,555**	2,607,689
Total liabilities		**7,342,733**	6,459,059	**3,036,555**	2,607,689
Total equity and liabilities		**12,637,048**	9,393,688	**3,542,427**	3,111,772

The notes on pages 14 to 41 are an integral part of these consolidated financial statements. The consolidated financial statements on pages 8 to 41 were authorised for issue by the board on 28 March 2019 and were signed on its behalf by:

Mr Anton Borg
Director

Mr Joseph Borg
Director

Statements of comprehensive income

		Year ended 31 December			
		Group		Company	
	Notes	**2018**	2017	**2018**	2017
		€	€	**€**	€
Revenue	16	**8,345,425**	6,132,966	**-**	-
Cost of sales	17	**(7,078,141)**	(4,758,332)	**-**	-
Gross profit		**1,267,284**	1,374,634	**-**	-
Administrative expenses	17	**(805,901)**	(643,839)	**(3,211)**	(4,501)
Other operating income	20	**2,577,160**	226,168	**-**	-
Operating profit/(loss)		**3,038,543**	956,963	**(3,211)**	(4,501)
Investment income	21	**-**	-	**430,000**	430,000
Finance costs	22	**(332,400)**	(161,232)	**-**	-
Profit before tax		**2,706,143**	795,731	**426,789**	425,499
Tax credit	23	**77,962**	221,906	**-**	-
Profit for the year - total comprehensive income		**2,784,105**	1,017,637	**426,789**	425,499

The notes on pages 14 to 41 are an integral part of these consolidated financial statements.

Statements of changes in equity

Group

	Note	Share capital €	Reserves €	Retained earnings €	Total €
Balance at 1 January 2017		500,000	65,893	1,777,458	2,343,351
Profit for the year - total comprehensive income		-	-	1,017,637	1,017,637
Transactions with owners					
Dividends		-	-	(425,000)	(425,000)
Net currency translation difference for the year	13	-	(1,359)	-	(1,359)
Balance at 31 December 2017		500,000	64,534	2,370,095	2,934,629
Balance at 1 January 2018		500,000	64,534	2,370,095	2,934,629
Profit for the year - total comprehensive income		-	-	2,784,105	2,784,105
Transactions with owners					
Dividends		-	-	(425,000)	(425,000)
Net currency translation difference for the year	13	-	581	-	581
Balance at 31 December 2018		**500,000**	**65,115**	**4,729,200**	**5,294,315**

The notes on pages 14 to 41 are an integral part of these consolidated financial statements.

Statements of changes in equity - continued

Company

	Share capital €	Retained earnings €	Total €
Balance at 1 January 2017	500,000	3,584	503,584
Profit for the year - total comprehensive income	-	425,499	425,499
Transaction with owners Dividends	-	(425,000)	(425,000)
Balance at 31 December 2017	500,000	4,083	504,083
Balance at 1 January 2018	500,000	4,083	504,083
Profit for the year - total comprehensive income	-	426,789	426,789
Transaction with owners Dividends	-	(425,000)	(425,000)
Balance at 31 December 2018	**500,000**	**5,872**	**505,872**

The notes on pages 14 to 41 are an integral part of these consolidated financial statements.

Statements of cash flows

	Notes	Year ended 31 December			
		Group		Company	
		2018	2017	**2018**	2017
		€	€	**€**	€
Cash flows from operating activities					
Cash generated from/(used in) operations	24	**2,525,461**	(1,472,018)	**(8,386)**	(2,934)
Investment income		**-**	-	**430,000**	430,000
Income tax (paid)/received		**(4,457)**	348	**-**	-
Interest payable and similar charges	22	**(332,400)**	(161,232)	**-**	-
Net cash generated from/(used in) operating activities		**2,188,604**	(1,632,902)	**421,614**	427,066
Cash flows from investing activities					
Purchase of property, plant and equipment	4	**(1,356,063)**	(329,674)	**-**	-
Advance payments on new factory	10	**(907,616)**	-	**-**	-
Movement in net amount due to subsidiaries		**-**	-	**108,823**	179,785
Net cash (used in)/generated from investing activities		**(2,263,679)**	(329,674)	**108,823**	179,785
Cash flows from financing activities					
Movement in bank and other loans		**(514,505)**	(531,470)	**-**	-
Proceeds from issuance of bonds	14	**-**	3,606,360	**-**	-
Movement in advances from shareholders		**(102,459)**	(181,891)	**(105,437)**	(181,892)
Dividend paid		**(425,000)**	(425,000)	**(425,000)**	(425,000)
Net cash (used in)/generated from financing activities		**(1,041,964)**	2,467,999	**(530,437)**	(606,892)
Movement in cash and cash equivalents		**(1,117,039)**	505,423	**-**	(41)
Cash and cash equivalents at beginning of year		**364,166**	(141,257)	**4**	45
Cash and cash equivalents at end of year	11	**(752,873)**	364,166	**4**	4

The notes on pages 14 to 41 are an integral part of these consolidated financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act, 1995. They have been prepared under the historical cost convention as modified by the fair valuation of available-for-sale financial assets as disclosed in the accounting policies below.

The preparation of financial statements in conformity with IFRS as adopted by the EU requires the use of certain accounting estimates. It also requires directors to exercise their judgement in the process of applying the Group's accounting policies (see Note 3 – Critical accounting estimates and judgements).

During 2018 there was a significant increase in other income generated by the Group. At the end of 2017, Elepac (one of the subsidiaries within the Group) entered into discussions with Malta Enterprise on the possibility of constructing a new purposely built factory which would release the Group's inherent limitations which exist at the current Bulebel site.

In this regard, Malta Enterprise approved the Group's investment of €7,458M resulting in the following:

1. An Emphyteusis agreement for land measuring circa 9,000m² in Hal Far for the purpose of constructing a new factory;
2. A one-time grant against the release of the Bulebel lease held by Elepac amounting to €2,508,400; and;
3. Tax credits amounting to €1,491,600 being 20% of the total investment.

Further details of this transaction may be found in Note 20 to the financial statements.

In order to adequately assess the performance of the Group, any other income not generated from core business activities should be eliminated. In this regard, whilst in 2017 the EBITDA emanating from the Group's core business amounted to €1,015K (excluding other income and any increase in inventory and receivable provisions), the EBITDA in 2018 was in fact €1,164K, a year on year growth in core business results of 15%. The Group believes that the benefits from the investment and operational cost measures will continue to improve the company's core business performance in the coming years.

It is important to note that over the past five years the Group invested around €3.8M in new product lines and/or extensions to the existing operations with the objective of increasing profitability and improving its statement of financial position.

Accordingly, the directors continue to adopt the going concern assumption in the preparation of these financial statements.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

Standards, interpretations and amendments to published standards effective in 2018

In 2018, the Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 January 2018. Other than changing its accounting policies for financial assets as a result of adopting IFRS 9, 'Financial Instruments', the adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Group's accounting policies impacting the Group's financial performance and position.

IFRS 9 – Financial Instruments

IFRS 9 replaced the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement; the Group adopted IFRS 9 on 1 January 2018, which is the date of initial application of the standard. IFRS 9 has resulted in changes in accounting policies related to the classification and measurement and impairment of financial assets. The Group has taken advantage of the exemption in IFRS 9 allowing it not to restate comparative information for prior periods with respect to classification and measurement and impairment charges.

(a) Classification of financial assets under IFRS 9

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. It contains three principal classification categories for financial assets: measured at amortised cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value Through Profit or Loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available-for-sale.

The transition from IAS 39 to IFRS 9 did not have a material impact on the Group's measurement models applied to its financial assets; the differences between IAS 39 and IFRS 9 consists solely of reclassifications. Reclassification adjustments reflect the movement of balances between categories of financial assets with no impact to shareholders' equity. There is no change to the carrying value of financial instruments as a result of reclassifications.

The application of IFRS 9 resulted in the reclassification of all the Group's financial assets from the 'Loans and receivables' category in IAS 39 to 'Financial assets at amortised cost' under IFRS 9. These assets comprise loans, trade and other receivables and cash and cash equivalents. The new classification requirements have not had a material impact on the Group's accounting for loans and receivables, which continued to be measured at amortised cost upon the adoption of IFRS 9, and they did not have an impact on the classification of the Group's financial liabilities.

The changes in classification accordingly had no impact on the Group's equity and tax balances.

(b) Impairment

From 1 January 2018 the Group has to assess on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. IFRS 9 replaced the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to the Group's financial assets measured at amortised cost. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the expected credit losses are immaterial.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

Standards, interpretations and amendments to published standards effective in 2018 - continued

IFRS 9 – Financial Instruments - continued

(b) Impairment - continued

For trade receivables, the Group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected impairment provision for all trade receivables. The impact on the Group of this change in the impairment model is not significant in view of the high quality of the counterparties to which the Group is exposed to credit risk, and the loss allowance is not material.

The new policy is disclosed in more detail in Note 1.9.

IFRS 15 – Revenue from contracts with customers

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. Revenue is recognised when customers obtain control of the good or service and thus have the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations.

After taking cognisance of the nature of the Group's contracts with customers, it was concluded that the transition to IFRS 15 did not impact the Group and no adjustments were made to the Group's results and financial position.

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements that are mandatory for the Group's accounting periods beginning after 1 January 2019. The Group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU.

The directors are of the opinion that with the exception of IFRS 16, 'Leases', there are no requirements that will have a possible significant impact on the Group's financial statements in the period of initial application.

Under IFRS 16 a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts. The standard is effective for annual periods beginning on or after 1 January 2019.

The Group has entered into long-term leases; these arrangements were classified as operating leases under IAS 17. As at the reporting date, the Group has non-cancellable operating lease commitments in respect of long-term factory leases amounting to €32,318 and in respect of machinery financing leases amounting to €19,859.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

Standards, interpretations and amendments to published standards that are not yet effective - continued

The Group will apply the standard from its mandatory adoption date of 1 January 2019 and will apply the modified transition approach. As a result, the Group will not restate comparative amounts for the year prior to first adoption. Under this approach, the lease liability is measured at the present value of the remaining lease payments as at 1 January 2019, which management has estimated to amount to €1,645,156 for the long-term factory leases and €59,988 in respect of machinery financing leases. Right-of-use assets at that date will be measured at an amount equivalent to this lease liability, adjusted for any prepaid or accrued operating lease expenses, with no adjustment to equity.

The adoption of IFRS 16 will also result in the replacement of operating lease rental expenditure by amortisation of the right-of-use asset, and an interest cost on the lease liability. On the basis of the lease arrangements in place at 1 January 2019, management estimates that rental costs of €32,318 for the year ending 31 December 2019 will be replaced by a notional interest charge that is expected to be in the region of €79,000, and an annual amortisation charge in the region of €53,000. This will therefore result in a reduction of approximately €99,682 in profitability for the year ending 31 December 2019.

Rental payments under IFRS 16 are allocated between interest payments and a reduction in the lease liability, with a corresponding impact on the Group's statement of cash flows. The Group's policy is to present interest payments as operating cash flows. Accordingly, lease payments of €32,318 for the year ending 31 December 2019, representing rental payments allocated to a reduction in the lease liability, will be reported as a financing cash flow instead of an operating cash flow.

1.2 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or cost'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'operating profit'.

1. Summary of significant accounting policies - continued

1.2 Foreign currency translation - continued

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the profit or loss as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

1.3 Consolidation

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

A listing of the Group's principal subsidiaries is set out in Note 6.

1. Summary of significant accounting policies - continued

1.4 Property, plant and equipment

Property, plant and equipment, comprising improvements to buildings, solar systems and panels, plant, machinery and equipment, other fixtures, fittings, tools and equipment and motor vehicles, are initially recorded at cost and are subsequently stated at cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of items. Subsequent costs are included in the asset's carrying amount, or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group, and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Depreciation is calculated on the straight line method to allocate the cost of each asset to their residual values over their estimated useful life as follows:

	%
Improvements to buildings	5
Plant, machinery and equipment	7.5 - 20
Other fixtures, fittings, tools and equipment	10 - 20
Motor vehicles	20
Solar systems and panels	4

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount (Note 1.5).

1.5 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

1.6 Investment in subsidiaries

In the company's separate financial statements, investments in subsidiaries are accounted for by the cost method of accounting, i.e. at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost includes directly attributable costs of the investment. Provisions are recorded where, in the opinion of the directors, there is an impairment in value. Where there has been an impairment in the value of an investment, it is recognised as an expense in the period in which the diminution is identified. The results of subsidiaries are reflected in the company's separate financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

1. Summary of significant accounting policies - continued

1.7 Financial assets

The comparative information provided continues to be accounted for in accordance with the Group's previous year accounting policy.

Accounting policy applied from 1 January 2018

1.7.1 Classification

The Group classifies its financial assets as financial assets measured at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The Group classifies its financial assets as at amortised cost only if both the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows, and
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

1.7.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade date, which is the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset.

1.7.3 Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group's main financial assets that are subject to IFRS 9's new expected credit loss model comprise trade and other receivables and cash and cash equivalents and in the case of the Company also amounts owed by group undertakings.

The Group was required to revise its impairment methodology under IFRS 9 for these classes of assets. The identified expected credit loss for trade and other receivables and cash and cash equivalents was immaterial.

1. Summary of significant accounting policies - continued

1.7 Financial assets - continued

Accounting policy applied until 31 December 2017

1.7.1 Classification

The Group and parent company classify their financial assets, (other than investments in subsidiaries) in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the asset. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position (Notes 1.9 and 1.10).

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available-for-sale assets. They are included in non-current assets unless the asset matures or management intends to dispose of it within twelve months from the end of the reporting period.

1.7.2 Recognition and measurement

The Group recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on settlement date, which is the date on which an asset is delivered to or by the Group. Any change in fair value for the asset to be received is recognised between the trade date and settlement date in respect of assets which are carried at fair value in accordance with the measurement rules applicable to the respective financial assets.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership or has not retained control of the asset.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in profit or loss within 'investment income'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in profit or loss within 'investment income'. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

1. Summary of significant accounting policies - continued

1.7 Financial assets - continued

1.7.2 Recognition and measurement - continued

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analyses, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

1.7.3 Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The Group first assesses whether objective evidence of impairment exists. The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation.

Assets classified as available-for-sale

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is reclassified from equity to profit or loss as a reclassification adjustment. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

1.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average cost method. The cost of raw materials comprises the cost of direct materials and includes transport and handling charges. The cost of work in progress and finished goods comprises raw materials, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

1. Summary of significant accounting policies - continued

1.9 Trade and other receivables

Trade receivables comprise amounts due from customers in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment (Note 1.7.3).

Details about the Group's impairment policies and the calculation of loss allowance are provided in Note 1.7.

1.10 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Details about the Group's impairment policies and the calculation of loss allowance are provided in Note 1.7.

1.11 Share capital

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

1.12 Financial liabilities

The Group recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The Group's financial liabilities are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities'). These financial liabilities are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. The Group derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

1.13 Trade and other payables

Trade payables comprise obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1. Summary of significant accounting policies - continued

1.14 Borrowings

Borrowings are recognised initially at fair value of proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method. Issue costs incurred in connection with the issue of the bonds include underwriting, legal and professional fees, stockbrokers' commission and advertising costs. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

1.15 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

The principal temporary differences arise from the depreciation on property, plant and equipment and provisions for impairment of trade and other receivables.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.16 Revenue recognition

Revenue is measured at fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is stated net of value-added tax or other sales taxes, returns, rebates and discounts. The Group recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below.

(a) *Sale of goods*

Sale of goods are recognised when the Group has delivered products to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery does not occur until the risks of obsolescence and loss have been transferred to the customer, and the customer has accepted the products.

1. Summary of significant accounting policies - continued

1.16 Revenue recognition - continued

(b) *Finance income*

Finance income is recognised as it accrues, on a time-proportion basis using the effective interest method, unless collectability is in doubt.

(c) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

1.17 Borrowing costs

Interest costs are charged against income without restriction. No borrowing costs have been capitalised.

1.18 Provisions

Provisions for legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

1.19 Training grants

Training grants are accounted for on a cash basis. The equivalent of the amount received during the year is transferred to the Incentives and Benefits Reserve as required by the Business Promotion Act, 2000.

1.20 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in noncurrent liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

2. Financial risk management

2.1 Financial risk factors

The Group's activities potentially expose it to a variety of financial risks: market risk (including cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group did not make use of derivative financial instruments to hedge certain risk exposures during the current and preceding financial years. The directors do not consider the impact of price risk material to effect the results of the Group.

The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The Group's operating revenues, operating expenditure and financing are mainly denominated in euro. Accordingly, the Group's exposure to foreign exchange risk is not significant and a sensitivity analysis for foreign exchange risk disclosing how profit or loss and equity would have been affected by changes in foreign exchange rates that were reasonably possible at the end of the reporting period is not deemed necessary.

(ii) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, its income and operating cash flows are not dependent of changes in market interest rates. The Group's interest rate risk arises from borrowings. Borrowings issued at floating rates, comprising bank borrowings (Note 14), expose the Group to cash flow interest rate risk. The Group's borrowings are subject to an interest rate that varies according to revisions made to the Bank's Base Rate. Management monitors the level of floating rate borrowings as a measure of cash flow risk taken on. Interest rates on these financial instruments are linked with the Central Intervention Rate issued by the European Central Bank.

Based on the above, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial.

(b) Credit risk

The Group measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward-looking information in determining any expected credit loss.

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below. The Group's exposures to credit risk as at the end of the reporting periods are analysed as follows:

Financial assets measured at amortised cost (classified as loans and receivables in 2017):	**2018**	2017
	€	€
Trade and other receivables (Note 10)	**2,549,687**	958,967
Cash and cash equivalents (Note 11)	**349,921**	800,466

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

The Group monitors the performance of its receivables on a regular basis to identify incurred collection losses, which are inherent in the Group's receivables, taking into account historical experience.

The maximum exposure to credit risk at the end of the reporting period in respect of the financial assets mentioned above is equivalent to their carrying amount as disclosed in the respective notes to the financial statements. The Group does not hold any collateral as security in this respect.

The Group assesses the credit quality of its customers taking into account financial position, past experience and other factors. The loss allowances for financial assets are based on assumptions about risk of default and, with effect from 1 January 2018, expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Provisions against doubtful debts as at year-end are disclosed in Note 10 to these financial statements.

The expected loss rates are based on the payment profiles of customers over a period of 12 months before 31 December 2018 or 1 January 2018, respectively, and the corresponding historical credit losses experienced within this period.

At 31 December 2018 and 31 December 2017, cash and short-term deposits are held with counterparties with a credit rating of BB or higher and are due to be settled within 1 week. Management consider the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Group.

The Group has concentration of credit risk of 70% (2017: 79%) with respect to trade receivables in view of the few number of customers comprising its trade receivables base. The Group assesses the credit quality of its customers taking into account financial position, past experience and other factors. It has policies in place to ensure that sales of products and services are effected to customers with an appropriate credit history. The Group monitors the performance of these financial assets on a regular basis to identify incurred collection losses which are inherent in the Group's receivables taking into account historical experience in collection of accounts receivable.

(c) Liquidity risk

The Group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally borrowings and trade other payables (Notes 14 and 15). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Group's obligations.

Management monitors liquidity risk by reviewing expected cash flows and ensuring that no additional financing facilities are expected to be required over the coming year. The Group's liquidity risk is not deemed material in view of the matching of cash inflows and outflows arising from expected maturities of financial instruments.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(c) Liquidity risk - continued

	Less than one year €	Between 1 & 2 years €	Between 2 & 5 years €	Over 5 years €	Total €
Group					
At 31 December 2018					
Bank borrowings	**1,407,837**	**-**	**-**	**3,621,967**	**5,029,804**
Trade and other payables	**1,741,164**	**138,071**	**322,442**	**101,379**	**2,303,056**
At 31 December 2017					
Bank borrowings	536,883	105,755	351,738	3,874,075	4,868,451
Trade and other payables	1,252,617	91,961	92,018	139,682	1,576,278
Company					
At 31 December 2018					
Trade and other payables	**3,036,555**	**-**	**-**	**-**	**3,036,555**
At 31 December 2017					
Trade and other payables	2,607,689	-	-	-	2,607,689

2.2 Capital risk management

The Group's objectives when managing capital are to safeguard the respective Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may issue new shares or adjust the amount of dividends paid to shareholders.

The Group's equity, as disclosed in the statement of financial position, constitutes its capital. The Group maintains the level of capital by reference to its financial obligations and commitments arising from operational requirements. In view of the nature of the Group's activities and the extent of borrowings or debt, the capital level as at the end of the reporting period is deemed adequate by the directors.

2.3 Fair values of financial instruments

At 31 December 2018 and 2017, the carrying amounts of cash at bank, receivables, available-for-sale financial assets, payables, accrued expenses and short-term borrowings reflected in the financial statements are reasonable estimates of fair values in view of the nature of these instruments on the relatively short period of time between the organisation of the instruments and this expected realisation.

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the directors, the accounting estimates 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.

4. Property, plant and equipment

Group	Assets in the course of construction €	Land and buildings €	Plant, machinery and equipment €	Other fixtures, fittings, tools and equipment €	Motor vehicles €	Solar system panels €	Total €
At 1 January 2017							
Cost	-	590,618	4,690,377	422,172	106,737	1,176,700	6,986,604
Accumulated depreciation	-	(387,553)	(3,591,248)	(353,110)	(105,351)	(116,016)	(4,553,278)
Net book amount	-	203,065	1,099,129	69,062	1,386	1,060,684	2,433,326
Year ended 31 December 2017							
Opening net book amount	-	203,065	1,099,129	69,062	1,386	1,060,684	2,433,326
Additions	-	81	305,295	7,298	17,000	-	329,674
Depreciation charge	-	(19,141)	(172,642)	(15,192)	(3,086)	(47,200)	(257,261)
Closing net book amount	-	184,005	1,231,782	61,168	15,300	1,013,484	2,505,739
At 31 December 2017							
Cost	-	590,699	4,995,672	429,470	123,737	1,176,700	7,316,278
Accumulated depreciation	-	(406,694)	(3,763,890)	(368,302)	(108,437)	(163,216)	(4,810,539)
Net book amount	**-**	**184,005**	**1,231,782**	**61,168**	**15,300**	**1,013,484**	**2,505,739**
Year ended 31 December 2018							
Opening net book amount	-	184,005	1,231,782	61,168	15,300	1,013,484	2,505,739
Additions	479,588	-	1,324,776	4,502	9,117	-	1,817,983
Disposals	-	-	(112,146)	-	-	-	(112,146)
Depreciation charge	-	(19,142)	(240,195)	(14,749)	(5,224)	(47,198)	(326,508)
Depreciation released on disposals	-	-	112,146	-	-	-	112,146
Closing net book amount	479,588	164,863	2,316,363	50,921	19,193	966,286	3,997,214
At 31 December 2018							
Cost	479,588	590,699	6,208,302	433,972	132,854	1,176,700	9,022,115
Accumulated depreciation	-	(425,836)	(3,891,939)	(383,051)	(113,661)	(210,414)	(5,024,901)
Net book amount	**479,588**	**164,863**	**2,316,363**	**50,921**	**19,193**	**966,286**	**3,997,214**

5. Intangible assets

Group

On 19 December 2012, the Group, through the parent company, acquired 100% of the share capital of JAB Investments Limited from related parties for a total cost of €3 million.

Identifiable net assets acquired and liabilities assumed

	€
Property, plant and equipment	933,805
Net working capital	(931,305)
Total identifiable net assets	**2,500**

Goodwill was recognised as a result of the acquisition as follows:

Total consideration transferred	3,000,000
Less: value of identifiable net assets	(2,500)
Goodwill	**2,997,500**

The goodwill which arose due to the above acquisition was based on the fair values of the assets and liabilities of the acquired company.

6. Investment in subsidiaries

Group	Shares in group undertaking €
At 31 December 2018 and 2017	
Cost and net book amount	**2,329**

Proplastik Limited was incorporated on 18 October 2002. The directors have effective control of the company but it has been excluded from the consolidation in terms of Section 170(3) of the Maltese Companies Act, 1995, since its inclusion is not material for the purpose of giving a true and fair view.

Company	Shares in group undertaking **2018** €	2017 €
At 31 December		
Opening cost and net book amount	**3,047,000**	3,047,000
Additions	**-**	-
Closing cost and net book amount	**3,047,000**	3,047,000

6. Investment in subsidiaries - continued

The subsidiaries at 31 December 2018 and 2017 are shown below:

Group undertakings	Registered office	Class of shares held	Percentage of shares held 2018	2017
JAB Investments Limited	B18, Bulebel Industrial Estate Zejtun, Malta	Ordinary "A" Shares	**100%**	100%
Eurosupplies Limited	B18, Bulebel Industrial Estate Zejtun, Malta	Ordinary "A" Shares	**98%**	98%
Elepac Limited	B18, Bulebel Industrial Estate Zejtun, Malta	Ordinary "A" Shares	**100%**	100%
Meritlink Limited	B18, Bulebel Industrial Estate Zejtun, Malta	Ordinary "A" shares	**98%**	98%
Proplastik Limited	314, Mdina Road Qormi, Malta	Ordinary "B" Shares	**50%**	50%
Institute For Professional Development Malta Limited	New Street in Handaq Road, Tal-Handaq, Qormi QRM 4000 Malta	Ordinary Shares	**99.8%**	99.8%
SolLease Limited	B18, Bulebel Industrial Estate Zejtun, Malta	Ordinary Shares	**100%**	100%
I.G. Finance plc	B18, Bulebel Industrial Estate Zejtun, Malta	Ordinary Shares	**100%**	100%

7. Available-for-sale financial assets

Local unquoted shares	**Group**	
	2018	2017
Group	**€**	€
Opening balance and net carrying amount	**9,477**	9,477
Additions	**-**	-
Closing balance and net carrying amount	**9,477**	9,477

8. Deferred taxation

Deferred taxes are calculated on temporary differences under the liability method and are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted by the end of the reporting period. The principal tax rate used is 35% (2017: 35%).

The movement on the deferred tax account is as follows:

	Group	
	2018	2017
	€	€
At beginning of the year	**342,906**	121,000
Deferred taxes on temporary differences arising on Investment tax credit (Note 23)	**77,962**	221,906
At end of year	**420,868**	342,906

The recognised deferred tax assets and liabilities are expected to be recovered or settled principally after more than twelve months from the end of the reporting period.

The balance at 31 December represents:

	Group	
	2018	2017
	€	€
Temporary differences arising on:		
- investments tax credits	**872,282**	805,901
- provisions and property, plant and equipment	**(568,227)**	(462,995)
- capital allowances	**116,813**	-

The recognised deferred tax assets are expected to be recovered or settled principally after more than twelve months.

At 31 December, the Group had the following deferred tax asset comprising unutilised tax credit and temporary differences, which were unrecognised in these financial statements:

	Group	
	2018	2017
	€	€
Temporary differences arising on:		
- unabsorbed tax losses and capital allowances	**233,522**	262,136
- investments tax credits	**7,237**	-
- provisions and property, plant and equipment	**(148,086)**	(199,330)

These give rise to a Group deferred tax asset of €37,140 (2017: €27,868) which has not been recognised in these financial statements due to the uncertainty of the realisation of the related tax benefits. Unabsorbed capital allowances are forfeited upon cessation of the trade.

9. Inventories

	Group	
	2018	2017
	€	€
Raw materials, work in progress and finished goods	**1,315,897**	1,745,571

10. Trade and other receivables

	Group		Company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Current				
Amounts owed by shareholders	**2,979**	-	**2,979**	-
Trade receivables - gross	**1,519,920**	925,714	**-**	-
Provision for impairment	**(95,006)**	(59,013)	**-**	-
Trade receivables - net	**1,427,893**	866,701	**2,979**	-
Indirect taxation	**56,574**	7,170	**-**	-
Other receivables	**1,065,220**	85,096	**-**	-
Prepayments and accrued income	**994,155**	30,733	**-**	-
	3,543,842	989,700	**2,979**	-

	Group		Company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Non-current				
Amounts owed by group undertakings	-	-	**492,444**	64,768

Amounts owed by group undertakings are unsecured, interest free and repayable on demand. During 2018, the Group was required to revise its impairment methodology under IFRS 9 for all classes of assets. No loss allowance has been recognised based on 12-month expected credit loss as any such impairment would be insignificant.

Included in prepayments and accrued income is an amount of €907,616 relating to advance payments made in respect of the new factory.

The Group's exposure to credit and currency risks and impairment losses relating to trade and other receivables are disclosed in Note 2. The other clauses within receivables do not contain impaired assets.

11. Cash and cash equivalents

For the purposes of the statement of cash flows, the year end cash and cash equivalents comprise the following:

	Group		Company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Cash at bank and in hand	**349,921**	800,466	**4**	4
Bank overdraft (Note 14)	**(1,102,794)**	(436,300)	**-**	-
	(752,873)	364,166	**4**	4

During 2018, the Group was required to revise its impairment methodology under IFRS 9 for all classes of assets. The identified expected credit loss was immaterial.

12. Share capital

	Group and Company	
	2018	2017
	€	€
Authorised		
200,000 (2017: 200,000) ordinary shares of €2.50 each	**500,000**	500,000
Issued and fully paid		
200,000 (2017: 200,000) ordinary shares of €2.50 each	**500,000**	500,000

On 29 December 2018, all of the ordinary shares have been transferred equally to EJB Limited and KMN plc, each receiving 100,000 shares.

13. Reserves

Group	Foreign exchange reserve €	Incentives & benefits reserve €	Total €
At 1 January 2017	6,282	59,611	65,893
Currency translation difference	(1,359)	-	(1,359)
At 31 December 2017	**4,923**	**59,611**	**64,534**
At 1 January 2018	4,923	59,611	64,534
Currency translation difference	581	-	581
At 31 December 2018	**5,504**	**59,611**	**65,115**

14. Borrowings

	Group 2018 €	2017 €
Non-current		
Bank loan	-	718,965
€3,700,000 5.5% bond 2024 - 2027	**3,621,967**	3,612,603
	3,621,967	4,331,568
Current		
Bank overdraft	**1,102,794**	436,300
Bank loan	**305,043**	100,583
	1,407,837	536,883

The bank borrowings are secured by a general hypothec over the Group's assets, and by personal guarantees of the directors.

The interest rate exposure of the borrowings of the Group was as follows:

	Group 2018 €	2017 €
Total borrowings at floating rates:		
Bank overdraft	**1,102,794**	436,300
Bank loan	**305,043**	819,548

Weighted average effective interest rates:

	Group 2018	2017
Bank overdraft	**5.40%**	4.00%
Bank loan	**5.15%**	5.15%

	2018 €	2017 €
Maturity of non-current borrowings		
Between 1 and 2 years	-	105,755
Between 2 and 5 years	-	351,738
Over 5 years	-	261,472
	-	718,965

14. Borrowings - continued

The bonds are measured at the amount of the net proceeds adjusted for the amortisation of the difference between the net proceeds and the redemption value of such bonds.

	2018 €	2017 €
Face value		
3,700,000 5.5% bonds 2024 - 2027	**3,700,000**	3,700,000
Issue costs	**93,640**	93,640
Accumulated amortisation	**(15,607)**	(6,243)
Closing net book amount	**78,033**	87,397
Amortised cost at 31 December	**3,621,967**	3,612,603

The interest rate exposure of the borrowings of the company is as follows:

	2018 €	2017 €
Total borrowings:		
At fixed rates	**3,621,967**	3,612,603

15. Trade and other payables

	Group		Company	
	2018 €	2017 €	2018 €	2017 €
Current				
Trade payables	**877,703**	850,763	-	-
Capital payables	**461,920**	-	-	-
Other taxes and social security	**43,175**	40,176	-	-
Accruals and deferred income	**320,878**	221,569	**2,480**	3,000
Amounts owed to group undertakings	-	-	**3,034,075**	2,497,575
Amounts owed to shareholders	-	102,459	-	102,459
Other payables	**37,488**	37,650	-	4,655
	1,741,164	1,252,617	**3,036,555**	2,607,689

	Group		Company	
	2018 €	2017 €	2018 €	2017 €
Non-current				
Trade payables	**150,860**	199,276	-	-
Deferred income	**411,032**	124,385	-	-
	561,892	323,661	-	-

16. Revenue

	Group	
	2018	2017
	€	€
By geographical segment		
Europe	**4,700,313**	4,040,309
Non-Europe	**3,645,112**	2,092,657
	8,345,425	6,132,966

Geographical segment information shown above is presented according to the geographical location of customers.

17. Expenses by nature

	Group		Company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Raw materials and consumables used	**4,710,751**	2,893,115	**-**	-
Employee benefit expenses (Note 18)	**1,813,234**	1,465,950	**-**	-
Stock write downs	**271,411**	-	**-**	-
Provision for impairment of receivables	**35,993**	-	**-**	-
Depreciation (Note 4)	**326,508**	257,261	**-**	-
Loss on exchange	**3,594**	33,170	**-**	-
Other expenses	**722,551**	752,675	**3,211**	4,501
Total cost of sales and administrative expenses	**7,884,042**	5,402,171	**3,211**	4,501

Following the Group's decision to move its operations to a purposely built new manufacturing site, Management has decided to write down the value of certain older slow-moving inventory items. The total write-down has been calculated at €271,411.

The effect of this is expected to benefit the Group through incurring less relocation cost once operations are shifted to the new premises while ensuring optimum space efficiency utilisation. Moreover, the freeing up of certain cash flows should improve working capital and allow the Group to channel such cash flows into more cash generating product lines.

17. Expenses by nature - continued

Auditor's fees

Fees charged by the auditor for services rendered during the financial periods ended 31 December relate to the following:

	Group		Company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Annual statutory audit	**20,413**	17,500	**2,000**	2,050
Tax advisory and compliance services	**2,960**	4,396	**290**	275
Other non-audit services	**2,137**	937	**-**	130
	25,510	22,833	**2,290**	2,455

18. Employee benefit expenses

Employee benefit expenses for the year comprise:

	Group	
	2018	2017
	€	€
Wages and salaries	**1,718,696**	1,383,582
Social security costs	**94,538**	82,368
	1,813,234	1,465,950

Average number of persons employed by the Group during the year was:

	Group	
	2018	2017
Direct	**63**	72
Administration	**17**	3
	80	75

19. Directors' emoluments

	Group	
	2018	2017
	€	€
Salaries and other emoluments	**29,344**	26,704

20. Other operating income

	Group	
	2018	2017
	€	€
Government grants	**2,508,400**	200,000
Other	**68,760**	26,168
	2,577,160	226,168

During 2018, a direct grant was approved by Malta Enterprise by way of compensation for the release of the old factory. Further €800,000 will be payable in 2020 and 2021 subject to progress of construction works on site.

21. Investment income

	Company	
	2018	2017
	€	€
Income from shares in subsidiary undertakings	**430,000**	430,000

22. Finance costs

	Group	
	2018	2017
	€	€
Interest payable to bond holders	**203,533**	136,039
Interest on bond loans and overdrafts	**88,156**	1,448
Other finance charges	**31,347**	17,502
Amortisation of bond issue costs	**9,364**	6,243
	332,400	161,232

23. Tax credit

	Group		Company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Current tax credit	**-**	-	**-**	-
Deferred tax credit (Note 8)	**77,962**	221,906	**-**	-
	77,962	221,906	**-**	-

The tax on the Group's and company's profit before tax differs from the theoretical amount that would be charged using the basic tax rate as follows:

	Group		Company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Profit before tax	**2,706,143**	795,731	**426,789**	425,499
Tax at 35%	**947,151**	278,506	**149,376**	148,925
Non temporary differences	**2,667**	2,502	**(149,376)**	(148,925)
Unrecognised temporary differences	**(121,421)**	(405,997)	**-**	-
Income not subject to tax	**(906,359)**	(96,632)	**-**	-
Overprovision from prior year	**-**	(285)	**-**	-
	(77,962)	(221,906)	**-**	-

24. Cash generated from/(used in) operations

Reconciliation of operating profit/(loss) to cash generated from/(used in) operations:

	Group		Company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Operating profit/(loss)	**3,038,543**	956,963	**(3,211)**	(4,501)
Adjustments for:				
Government grant	**(1,008,400)**	-		
Write off of tax balance	**(4,983)**	-		
Provision for impairment of receivables	**35,993**	-		
Stock write downs	**271,411**	-		
Depreciation (Note 4)	**326,508**	257,261	**-**	-
Amortisation of bond issue costs	**9,364**	6,243	**-**	-
Changes in working capital:				
Inventories	**158,263**	(201,136)	**-**	-
Trade and other receivables	**(674,120)**	(355,490)	**-**	-
Trade and other payables	**(89,620)**	(2,134,500)	**(5,175)**	1,567
Capital creditors (Note 4)	**461,920**	-	**-**	-
Currency translation difference	**581**	(1,359)	**-**	-
Cash generated from/(used in) operations	**2,525,461**	(1,472,018)	**(8,386)**	(2,934)

25. Related party transactions

Impresa Limited forms part of the Impresa Group, which comprise Impresa Limited and its subsidiaries. All companies forming part of the Impresa Group are related parties since these companies are all ultimately owned by members of the Borg family.

The following significant transaction were carried out with related parties:

	2018	2017
	€	€
Investment income	**430,000**	430,000

Year end balances with related parties, arising principally from transactions referred to previously, are disclosed in Note 10 and Note 15 to these financial statements respectively.

Key management personnel compensation, consisting of directors' remuneration, has been disclosed in Note 19.

26. Statutory information

Impresa Limited is a limited liability company and is incorporated in Malta with registered address at BLB 018, Bulebel Industrial Estate, Zejtun, ZTN 3000, Malta.