

ANCHOVY STUDIOS PLC

Annual Report and Financial Statements  
31 December 2018

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## Directors' report

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

### Principal activities

The principal activity of the Company, which is unchanged since last year, is to provide services of digital marketing, design and production.

### Review of business

#### *Review of 2018*

We called our company ANCHOVY. because we wanted to create a name that invites intrigue.

The agency was founded back in 2013 out of Zak's and Benji's bedroom, and is now an energetic 30 man (and woman) digital agency operating out of a 1970's town house on Hamrun's Main Street. As we look back on the year, we are pleased with where we have landed.

As a locally specialised team, we have the scale, flexibility and speed to deploy our skills where and when they are most needed, and to deliver the most effective and efficient growth solutions for our partners.

2018 brought some significant milestones for us and was a challenging year for the Company and the team alike. Some key achievements from 2018:

1. Sustained revenue growth of 37%;
2. Increased portfolio of service offering moving further into data, consulting and innovation;
3. Launch of a fine tuned brand identity;
4. Hosting numerous events both in Malta and the Netherlands;
5. Nominated for the best Affiliate of the year by the Malta BC Summit;
6. Landing our first major client in the Netherlands;
7. ANCHOVY. met with the Honourable Silvio Schembri to discuss the recent changes in Malta's financial sphere and what's the future of FinTech;
8. Defined a clear path to international expansion;
9. Defined the 2021 vision for ANCHOVY. and the path the agency will follow;
10. Restructuring of the Company's focus and operational structure.

2018 was a pivotal year in which we restructured the operation to cater for our future plans. The bond is now easing into our daily operations and has allowed us to focus on growth. The path to the bond issue, as well as the six months after that, was as enriching as it was difficult, and it has empowered us to elevate our game, to learn how to foster our firm's culture within a new, more transparency oriented regulatory environment.

Growing out also requires growing up. ANCHOVY. has a panel of advisors with a diverse eco-system of experiences. The Independent Directors appointed to the Board have added gravitas, depth and substance to setting strategy. We relish the challenges they set because they have enriched the decision-making process.

We are truly proud of what we have achieved in 2018, but this was only possible thanks to the great efforts and commitment of our outstanding team, clients and our stakeholders. Thank you all for your part in ANCHOVY.'s metamorphosis.

Together we will continue on this exciting journey towards achieving even more next year.

## Directors' report - continued

### Digital Agency

To meet the additional pressures on our time, we've restructured our operation internally, adding an additional layer of oversight and management controls, while offering a wider spectrum of services to clients. This has helped boost revenue growth during 2018.

The core leads team has continued to support clients with their lead generation requirements. We have pushed to fine tune our offering in Malta. We like to think we are re-imagining the traditional model, moving ANCHOVY. towards becoming a hybrid between a management consultancy and digital power house, allowing us to work towards quantifiable, realisable client-set goals. ANCHOVY. works at the intersection of strategy, creative and digital to solve the biggest business challenges.

We continue to engineer our clients' campaigns with their consumers in mind. As we focus on crafting an environment which is more specialized than many of our local rivals, we continue to win clients by generating better quality traffic, and with converting that traffic into tangible conversions.

Linna Lisette Beram, Sr. Manager – Sales and Business Development, Medis. said: *"We're delighted to have selected ANCHOVY. and the brand repositioning process has allowed us to bring us to the next level."*

### Affiliate Programme

ANCHOVY.'s affiliate programme began incubation in August 2017 and has pivoted a number of times since the get go. It aims to add a new revenue stream for ANCHOVY by tapping into cash flow by directing internet traffic to customer/operator websites. Exiting the incubation stage on two of the assets spawned of this project - Alpha Sports Betting and Bite My Coin. Our aim is to become recognized as the best provider of high quality leads and pass on such knowledge to our client campaigns.

### **Financial results**

The Company's revenue for the year amounted to €1,093,453 (2017: €798,227) representing an increase of 37%, whilst the operating profit for the year amounted to €32,364 (2017: €9,721). The loss before tax for the year amounted to €28,296 (2017: loss before tax of €33,318).

Similar to the financial year ended 2017, the main reason for the Company incurring a loss before tax during the year was the substantial increase of personnel expenses which amounted to €617,708 (2017: €465,688) representing an increase of approximately 33% from last year. This increase in personnel expenses was projected – in fact the main purpose of the bond issue during 2017 was to boost the Company's personnel resources so that the Company can set up its affiliate business and other new ventures. The benefits of this increase in personnel expenses are expected to flow in future years.

Other operating expenses for the year amounted to €403,613 (2017: €308,845) representing an increase of 31%. The increase in other operating expenses can be attributed to:

- Growth in operations during the year, and;
- Increase driven by the expansion in operations, such as Media buying, licensing and software costs, office expenses, incentive fees and an impairment of €16,220 due by associated companies.

Depreciation and amortisation for the year amounted to €39,768 (2017: €13,973) and finance costs were €60,660 (2017: €33,620).

The increase in depreciation and amortisation was mainly a result of the increase in the Company's amortisation of the intangible assets that were initially created during 2017 and further developed during 2018.

Finance costs for 2018 include the bond interest payable. The increase in finance costs during 2018 is due to the bond interest accruing for a whole year during 2018 rather than for approximately six months during 2017.

## **Directors' report** - continued

The Company's total asset base stands at €1,233,978 (2017: €1,290,537), which is in line with prior year, the main movement relating to further capitalisation of intangibles, decrease in receivables and decrease in bank balances to finance working capital.

Total non-current liabilities amounted to €973,575 (2017: €970,416) and represent the bond issue of €1,000,000 less bond issue costs.

Trade and other payables for the year amounted to €129,587 (2017: €160,244).

## **2019 outlook**

We are beginning a multi-year improvement programme and 2019 is expected to be a year of investment in the business and international expansion with the execution of our cost-savings programme, further actions taken to return the Company to long-term sustainable growth and the initiation of an M&A strategy. Some key target milestones for 2019:

- ANCHOVY. will be focusing on an acquisition strategy for international growth in 2019. After an extensive exercise in Q4 2018 we have shortlisted and identified potential highly strategic targets.
- Right-sizing and disposal of under-performing businesses.
- Closure of unsustainable operations.
- Establishing a consistent shared service infrastructure to support the countries in which we operate.

## **Financial risk management**

Information relating to the Company's financial risk management is disclosed in Note 2 to the financial statements.

## **Results, dividends and reserves**

The financial results are set out in the statement of comprehensive income on page 20. The Directors do not recommend the payment of a dividend for the current financial year (2017: €Nil). Retained earnings carried forward at the end of the financial reporting period amounted to €109,270 (2017: €143,125).

## **Directors**

The Directors of the Company who held office during the year were:

Dr. Lawrence Gonzi – Chairman  
Mr. Benjamin Borg  
Mr. Zachary Borg  
Mr. Julian Mamo  
Mr. Christopher Mifsud

The Board meets on a regular basis to discuss performance, position and other matters. The Company's Articles of Association do not require any director to retire.

## Directors' report - continued

### Statement of Directors' responsibilities for the financial statements

The Directors are required by the Maltese Companies Act (Cap 386) to prepare financial statements which give a true and fair view of the state of affairs of the 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 Company will continue in business as a going concern.

The Directors are also responsible for designing, implementing and maintaining internal control relevant to the preparation and the fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Maltese Companies Act (Cap 386). They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of Anchovy Studios plc. for the year ended 31 December 2018 are included in the Annual Report 2018, which is published in hard-copy printed form and may be made available on the Company's website. The Directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

### 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.

### Statement by the Directors on the financial statements and other information included in the annual report

The Directors declare that to the best of their knowledge, the financial statements included in the Annual Report are prepared in accordance with the requirements of International Financial Reporting Standards as adopted by the EU and give a true and fair view of the assets, liabilities, financial position and profit of the Company and that this report includes a fair review of the development and performance of the business and position of the Company, together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board

  
Benjamin Borg  
Director

  
Zachary Borg  
Director

Registered office:  
682,  
High Street,  
Hamrun, HMR 1012  
Malta

12 March 2019

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## **Corporate Governance - Statement of compliance**

### **Preliminary**

The Prospects Rules issued by the Malta Stock Exchange require qualifying companies admitted to the listing venue to observe relevant corporate governance standards, in this case the Code of Principles of Good Corporate Governance (the "Code").

The Board of Directors (the "Board") of Anchovy Studios plc. (the "Company") notes that the Code does not prescribe mandatory rules. It does, however, recommend principles of good practice, and accordingly the Board acknowledges that it is in the interest of the Company and its stakeholders to adhere to governance standards to the extent that these are relevant to the Company, taking its size and the nature of its business.

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

Companies admitted to Prospects are required to include, in their Annual Report, a Directors' statement of the extent to which the Company has adopted the Code of Principles of Good Corporate Governance.

This Corporate Governance Statement (the "Statement") will set out the structures and processes in place within the Company and how these effectively achieve the goals set out in the Code. For this purpose, this Statement will make reference to the pertinent principles of the Code and then set out the manner in which the Directors believe that these have been adhered to, and where it has not.

## **Corporate Governance - Statement of compliance - continued**

### **Compliance with the Code**

#### **Principle 1: The Board**

Throughout the year under review, the Board has provided the necessary leadership in the overall direction of the Company and the administration of its resources to enhance the prosperity of the business over time, and therefore the value of the shareholders' investment.

The Directors, individually and collectively, are of the appropriate calibre, with the necessary skills and experience to contribute effectively to the decision-making process. The Directors have determined the Company's strategic aims and organisational structure and always ensure that the Company has the appropriate mix of financial and human resources to meet its objectives. The process of appointment of Directors is transparent, is set out in the Company's Articles of Association and it is conducted during the Company's AGM where all the shareholders of the Company are entitled to participate in the voting process to elect the Board of Directors. Furthermore, in terms of the Company's Memorandum and Articles of Association, a Director is prohibited from voting on any contract or arrangement or any other proposal in which he has a material interest.

#### **Principle 2: The Company's Chairman and Chief Executive**

Due to its lean operating structure and the nature of its current business, the Company does not employ a Chief Executive Officer (CEO). This function is undertaken by the Executive Directors.

The day-to-day management of the Company is vested with the Executive Directors of the Company.

The Chairman is responsible to lead the Board and set its agenda and also ensures that the Directors of the Board receive precise, timely and objective information so that they can take sound decisions and effectively monitor the performance of the Company.

#### **Principle 3: Composition of the Board**

The Board considers that the size of the Board, whilst not being too large as to be unwieldy, is appropriate, taking into account the size of the Company its operations, its business risks and key performance indicators. The combined and varied knowledge, experience and skills of the Board members provide a balance of competences that are required and add value to the proper functioning of the Board. During 2018, the composition of the Board was as follows:

##### ***Executive Directors***

Benjamin Borg  
Zachary Borg

##### ***Non-Executive Director***

Christopher Mifsud

##### ***Independent Non-Executive Directors***

Lawrence Gonzi

Julian Mamo



## **Corporate Governance - Statement of compliance** - continued

None of the Independent Non-Executive Directors:

- a) are or have been employed in any capacity by the Company;
- b) have, or had within the last three years, a significant business relationship with the Company;
- c) have received or receive significant additional remuneration from the Company;
- d) have close family ties with any of the executive members of the Board;
- e) have served on the Board for more than twelve consecutive years; or
- f) have been within the last three years an engagement partner or a member of the audit team of the present or past external auditors of the Company.

The Company has a majority of Non-Executive Directors on the Board.

### **Principles 4 and 5: The Responsibilities of the Board, and Board Meetings**

#### ***The Board***

The Board of Directors of the Company is responsible for the overall long-term direction of the Company, assessing and evaluating the performance of the Company's executive functionaries, ascertaining that control systems suitable to the Company are implemented, that financial reporting is carried out to the highest attainable standards and to ascertain that the Company maintains open communication channels with the market and stakeholders.

#### ***Meetings of the Board***

The Board aims to meet a minimum of four times every calendar year. It is currently composed of five individuals, with a majority of non-executive directors and two of whom are completely independent of the Company or any other related companies.

The Chairperson ensures that all relevant items are set on the agenda and ensures that all board members partake in discussions of complex and contentious issues.

Board meetings are attended by Main Street Capital Limited, the Corporate Advisors of the Company, the Company Secretary and Mint Finance, the Company's financial advisors. The Company ensures that sufficient information is provided to the attendees to effectively contribute during meetings of the board, and to take informed decisions on the manner in which the Company's affairs are being administered.

Board members are notified of forthcoming meetings by the Company Secretary with the issue of an agenda and supporting reading materials, which are circulated well in advance of the meeting. All the directors have access to the Company's Corporate Advisors at the Company's expense should they so require.

#### ***Internal Control***

While the Board is ultimately responsible for the Company's system of internal controls and for reviewing its effectiveness, the authority to determine day-to-day, non-material operational aspects that fall within the ordinary course are delegated to the Executive Directors.

Controls are designed to manage risk, to achieve business objectives and to provide reasonable assurance against normal business risks.

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

## **Corporate Governance – Statement of compliance** - continued

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

### ***Organisation***

The Company operates through the Executive Directors with clear reporting lines and delegation of powers.

### ***Control Environment***

The Company is committed to strong standards of business conduct and seeks to maintain these across all of its operations.

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

### ***Risk Identification***

The Executive Directors and Company management are responsible for the identification and evaluation of key risks applicable to their respective areas of business – this is sufficient, given the nature and scale of the Company's operations.

The Company has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve its objectives, given its size and the nature of its activities to date.

### ***Audit Committee***

The Board established an Audit Committee (the "Committee"). The members of the Committee are:

Julian Mamo – Chairman  
Zachary Borg  
Chris Mifsud

The members of the Committee have discussed various matters during the meetings held in 2018 and have formally set out the Terms of Reference of the Committee. The purpose of the Committee is to protect the interest of the Company's share and bond holders and assist the directors in conducting their role effectively. The Audit Committee also monitors the financial reporting process, the effectiveness of internal control and the audit of the annual financial statements. Additionally, it is responsible for monitoring the performance of the trade debtors of the Company, to ensure that budgets are achieved and if not that corrective action is taken as necessary. It also scrutinises and supervises related party transactions for materiality and ensures that these are carried out on an arm's length basis.

The Malta Stock Exchange reviewed the Committee's Terms of Reference as part of the admission process with respect to the Bonds issued by the Company.

## **Corporate Governance – Statement of compliance - continued**

### ***Attendance of Board and Committee Meetings***

During the year under review the Board and the Committee held 4 meetings. All current Board and Committee members attended the meetings held during the pendency of their appointments.

### **Principle 6: Information and Professional Development**

On joining the Board, a Director is provided with briefings by the Executive Directors on the activities of the Company. From time to time, the Executive Directors may meet other Board members or organise information briefing sessions to ensure that the Directors are made aware of the general business environment and the Board's expectations.

Directors may, where they judge it necessary to discharge their duties as Directors, consult the Corporate Advisors at the expense of the Company.

### **Principle 7: Evaluation of the Board's performance**

The Board believes that its current composition endows the Board with a cross-section of skills and experience and achieves the appropriate balance required for it to function effectively. In view of the size and nature of the Company, it was not considered necessary to carry out a formal evaluation of the Board's performance.

### **Principle 8: Remuneration and Nomination Committees**

In view of the present circumstances the Company does not consider the appointment of a Remuneration Committee to be necessary. With respect to the Nomination Committee, the Board believes that the main principle has been duly complied with, since a formal and transparent procedure for the appointment of Directors has been established in the Company's Articles of Association.

### **Principles 9 and 10: Relations with Shareholders and with the Market, and Institutional Shareholders**

The Company recognises the importance of keeping investors informed to ensure that they are able to make informed investment decisions

The Company communicates with the market by way of the Annual Report and Financial Statements, by publishing its results on a six-monthly basis during the year, and by way of Company announcements to the market in general when necessary.

These reports are also available on the Company's website which also contains information about the Company. The Company's website also contains an 'Investor relations' section which includes press releases and investor information sub-sections.

The general meeting is the highest decision making body of the Company and is regulated by the Company's Articles of Association. All shareholders registered on the register of members of the Company on a particular record date are entitled to attend and vote at general meetings. A general meeting is called by fourteen (14) days' notice.

At an Annual General Meeting what is termed as "ordinary business" is transacted, namely, the declaration of a dividend, the consideration of the accounts, balance sheets and the reports of the Directors and the auditors, the election of Directors, the appointment of auditors and the fixing of remuneration of Directors and auditors. Other business which may be transacted at a general meeting (including at the Annual General Meeting) will be dealt with as "special business".

## **Corporate Governance – Statement of compliance - continued**

Voting at any general meeting takes place by a show of hands or a poll where this is demanded. Subject to any rights or restrictions for the time being attached to any class or classes of shares, on a show of hands each shareholder is entitled to one vote and on a poll each shareholder is entitled to one vote for each share carrying voting rights of which he is a holder.

Shareholders who cannot participate in the general meeting may appoint a proxy. Appointed proxy holders enjoy the same rights to participate in the general meeting as those to which the shareholder they represent is entitled. Every shareholder represented in person or by proxy is entitled to ask questions which are pertinent and related to the items on the agenda of the general meeting and to have such questions answered by the Directors or such persons as the Directors may delegate for such purpose.

### **Principle 11: Conflicts of Interest**

The Directors of the Company recognise their responsibility to act in the interest of the Company and its shareholders as a whole irrespective of who appointed them to serve on the Board. It is the practice of the Board that when a potential conflict of interest arises in connection with any transaction or other matter, the potential conflict of interest is declared so that steps may be taken to ensure that such items are appropriately dealt with. Directors who have a conflict of interest do not participate in discussions concerning such matters unless the Board find no objection to the presence of such Directors. The Directors are obliged to keep the Board advised, on an on-going basis, of any interest that could potentially conflict with that of the Company. In any event, Directors refrain from voting on the matters where conflicts of interest arise. There were no such matters in the year under review.

The Directors are informed of their obligations on dealing in securities of the Company within the parameters of the law and subsidiary legislation, as well as the Prospects Rules.

### **Principle 12: Corporate Social Responsibility**

The Directors are committed to high standards of ethical conduct and to contribute to the development of the well-being of employees and their families as well as the local community and society at large.

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## **Non-compliance with the Code**

### **Principle 2: The Company's Chairman and Chief Executive**

As explained above, the Company does not employ a CEO due to its lean operating structure. Despite this, the Company feels that its current organisational structure is appropriate for the size of the Company's operation.

### **Principle 3: Composition of the Board**

The Company does have a majority of Non-Executive Directors appointed to the Board, it does not, at this stage, have a majority of Independent Directors. Given the circumstances of the Company's business and shareholding full adherence to this principle is not necessary.

### **Principle 4: Responsibilities of the Board**

For the purposes of Principle 4(e) while the Board reports that for the year under review it has not organised any information sessions as set out in that provision, during its meetings the Board regularly discusses the Company's operations and prospects, the skills and competence of senior management, the general business environment and the Board's expectations.

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## Corporate Governance – Statement of compliance - continued

### Principle 5: Board Meetings

Given the nature and the scale of the Company's business and activities, it has not yet been necessary to set procedures to determine the frequency, purpose, conduct and duration of meetings.

This notwithstanding, the Company has set regular periodic meetings, and these have always been attended by the Executive and Non-Executive Directors in accordance with the terms of the Company's Articles of Association.

### Principle 6: Information and Professional Development

Given the Company's size and the nature of its activities full adherence to this principle is not considered necessary.

The Company is of the view that a succession plan for senior management is not necessary, and that its current operational structures adequate.

The Directors will, of course, re-visit this should the demands placed on the Board and the Company's operational structure become more cumbersome over time.

### Principle 7: Evaluation of the Board's performance

In view of the size and nature of the Company, it was not considered necessary to carry out an evaluation of the Board's performance.

### Principle 8: Remuneration and Nomination Committees

Under the present circumstances the Company does not consider it necessary to appoint a Remuneration Committee and a Nomination Committee as decisions on these matters are more adequately taken by the Company's Board and at shareholders level.

### Principle 9: Relations with Shareholders and with the Market

Currently there is no established mechanism disclosed in the Company's Memorandum and Articles of Association, as recommended in Code Provision 9(k), to trigger arbitration in the case of conflict between the minority shareholders and the controlling shareholders. The Board believes, taking into account the current shareholder profile, the measures currently available for shareholders, such as the right to ask questions, and the continuous dialogue with shareholders provide the necessary safeguards.

Approved by the Board of Directors on 12 March 2019 and signed on its behalf by:



Benjamin Borg  
Director



Zachary Borg  
Director



## *Independent auditor's report*

To the Shareholders of Anchovy Studios plc

### *Report on the audit of the financial statements*

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#### *Our opinion*

In our opinion:

- Anchovy Studios plc's financial statements give a true and fair view of the Company's financial position as at 31 December 2018, and of the 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 the Maltese Companies Act (Cap. 386).

#### **What we have audited**

Anchovy Studios plc's financial statements, set out on pages 19 to 51, comprise:

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

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#### *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**

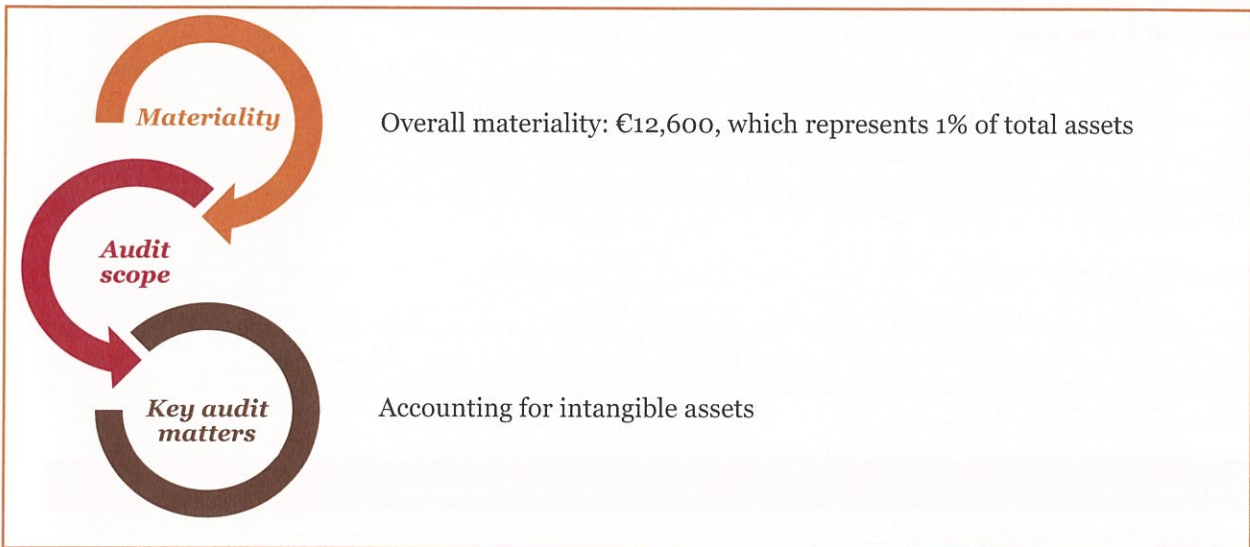
We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of 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.

## Independent auditor's report - continued

To the Shareholders of Anchovy Studios plc

### Our audit approach

#### Overview



As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

#### Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

## Independent auditor's report - continued

To the Shareholders of Anchovy Studios plc

<b>Overall materiality</b>	€12,600 (2017: €12,000)
<b>How we determined it</b>	1% of total assets
<b>Rationale for the materiality benchmark applied</b>	We chose total assets as the benchmark since the Company is still in its initial years of operations. We chose 1%, which is within the range acceptable quantitative materiality thresholds in auditing standards.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €1,200 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
<p><b>Accounting for intangible assets</b></p> <p>Intangible assets with a carrying amount of €100,323 have arisen as a result of the purchase of domains and capitalisation of wages incurred for the development of websites.</p> <p>Development costs that are directly attributable to the design of identifiable and unique websites controlled by the Company are recognised as intangible assets when specified criteria in line with IAS 38 are met.</p> <p>An assessment is required to establish the useful lives of intangible assets that are subject to amortisation and to establish whether such assets may be subject to impairment as a result of events or changes in circumstances that may indicate that the carrying amount may not be recoverable.</p> <p>We focused on this area due to the nature of the judgement affecting the carrying amount of the intangible assets.</p> <p>Relevant references in the Annual Report and Financial Statements:</p> <ul style="list-style-type: none"> <li>Accounting policy : Note 1.4</li> <li>Note on intangible assets: Note 5</li> </ul>	<p>We evaluated the suitability and appropriateness of the methodology applied for the capitalisation of costs relating to website development. We tested the detailed workings prepared by management by:</p> <ul style="list-style-type: none"> <li>re-performing the calculation used in the model so as to obtain audit evidence on the accuracy of the key inputs in the workings compared to appropriate sources;</li> <li>testing the rate per hour capitalised for a sample of employees and agreed to the actual payroll cost as per the employment agreement;</li> <li>agreeing on a sample basis the hours used as an input in the capitalisation model to the electronic timesheets of the respective individuals deployed on website development;</li> <li>challenging the estimated useful life applied by management for the internally generated websites;</li> <li>detailed discussions held with management, the audit committee and the board on actual revenue streams and future projections of revenues to support the carrying value of the intangible.</li> </ul> <p>Based on the results of our work, we conclude that the data and assumptions used by management were reasonable.</p>





## *Independent auditor's report - continued*

To the Shareholders of Anchovy Studios plc

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### *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).

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 includes the disclosures required by Article 177 of the Maltese Companies Act (Cap. 386).

Based on the work we have performed, in our opinion:

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

In addition, in 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.

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### *Responsibilities of the directors and those charged with governance 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 the requirements of the Maltese Companies Act (Cap. 386), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.



## *Independent auditor's report - continued*

To the Shareholders of Anchovy Studios plc

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### *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.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



## *Independent auditor's report - continued*

To the Shareholders of Anchovy Studios plc

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### *Report on other legal and regulatory requirements*

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

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

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

We read the Statement of Compliance and consider the implications for our report if we become aware of any apparent misstatement or material inconsistencies with the financial statements included in the Annual Report. Our responsibilities do not extend to considering whether this statement is consistent with any other information included in the Annual Report.

We are not required to, and we do not, consider whether the Board's statements on internal control included in the Statement of Compliance cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risks and control procedures.

In our opinion, the Statement of Compliance set out on pages 5 to 11 has been properly prepared in accordance with the requirements of the Prospects Rules issued by the Malta Stock Exchange.



## *Independent auditor's report - continued*

To the Shareholders of Anchovy Studios plc

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

We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:

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

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

#### **PricewaterhouseCoopers**

78, Mill Street  
Qormi  
Malta

A handwritten signature in blue ink, appearing to read 'Stephen Mamo', is written over the printed name and title.

Stephen Mamo  
Partner

12 March 2019

## Statement of financial position

	Notes	As at 31 December 2018 €	As at 31 December 2017 €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant & equipment	4	34,804	39,735
Intangible assets	5	100,323	75,262
Investment in associate	6	67	13,081
Investment in subsidiary	7	240	-
Total non-current assets		<b>135,434</b>	128,078
<b>Current assets</b>			
Trade and other receivables	8	298,276	323,325
Current tax assets		37,325	20,815
Cash and cash equivalents	9	749,862	818,319
Assets classified as held for sale	10	1,085,463 13,081	1,162,459 -
Total current assets		<b>1,098,544</b>	1,162,459
<b>Total assets</b>		<b>1,233,978</b>	1,290,537
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	11	11,984	11,984
Retained earnings		109,270	143,125
Total equity		<b>121,254</b>	155,109
<b>Non-current liabilities</b>			
Borrowings	12	973,575	970,416
Total non-current liabilities		<b>973,575</b>	970,416
<b>Current liabilities</b>			
Borrowings	12	9,562	4,768
Trade and other payables	14	129,587	160,244
Total current liabilities		<b>139,149</b>	165,012
Total liabilities		<b>1,112,724</b>	1,135,428
<b>Total equity and liabilities</b>		<b>1,233,978</b>	1,290,537

The notes on pages 23 to 51 are an integral part of these financial statements.

The financial statements on pages 19 to 51 were authorised for issue by the Board on 12 March 2019 and were signed on its behalf by:

  
Benjamin Borg  
Director

  
Zachary Borg  
Director

## Statement of comprehensive income

	Notes	Year ended 31 December 2018 €	Year ended 31 December 2017 €
<b>Turnover</b>	15	<b>1,093,453</b>	798,227
<b>Operating expenses:</b>			
Personnel expenses	16	(617,708)	(465,688)
Depreciation and amortisation	4, 5	(39,768)	(13,973)
Other operating expenses	17	(403,613)	(308,845)
<b>Total operating expenses</b>		<b>(1,061,089)</b>	(788,506)
<b>Operating profit</b>		<b>32,364</b>	9,721
Share of results of associate accounted for using the equity method	6	-	(9,419)
Finance costs	18	(60,660)	(33,620)
<b>Loss before tax</b>		<b>(28,296)</b>	(33,318)
Tax expense	19	-	-
<b>Loss for the year after tax</b>		<b>(28,296)</b>	(33,318)
<b>- total comprehensive income</b>		<b>(28,296)</b>	(33,318)

The notes on pages 23 to 51 are an integral part of these financial statements.

## Statement of changes in equity

	Notes	Share capital €	Retained earnings €	Total €
Balance at 1 January 2017		490	212,443	212,933
<b>Comprehensive income</b>				
Loss for the year				
- total comprehensive income		-	(33,318)	(33,318)
<b>Transactions with owners</b>				
Dividends paid - relating to 2016	20	-	(36,000)	(36,000)
Issue of new shares	11	11,494	-	11,494
Total transactions with owners		11,494	(36,000)	(24,506)
<b>Balance at 31 December 2017</b>		<b>11,984</b>	<b>143,125</b>	<b>155,109</b>
Change in accounting policy IFRS 9	1.1	-	(5,559)	(5,559)
Restated balance at 1 January 2018		11,984	137,566	149,550
<b>Comprehensive income</b>				
Loss for the year				
- total comprehensive income		-	(28,296)	(28,296)
<b>Balance at 31 December 2018</b>		<b>11,984</b>	<b>109,270</b>	<b>121,254</b>

The notes on pages 23 to 51 are an integral part of these financial statements.

## Statement of cash flows

	Notes	Year ended 31 December 2018 €	Year ended 31 December 2017 €
<b>Cash flows from operating activities</b>			
Cash generated from operations	21	60,965	60,292
Interest paid		(57,501)	(31,611)
Income tax paid		(16,510)	(103,468)
Net cash used in from operating activities		<u>(13,046)</u>	<u>(74,787)</u>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	4	(4,646)	(33,306)
Software development costs	5	(55,252)	(82,218)
Investment in associated entity	6	(67)	(22,500)
Investment in subsidiary entity	7	(240)	-
Net cash used in investing activities		<u>(60,205)</u>	<u>(138,024)</u>
<b>Cash flows from financing activities</b>			
Net proceeds from bond issue	12	-	968,407
Dividends paid		-	(36,000)
Proceeds from issue of shares	11	-	11,494
Net cash generated from/(used in) financing activities			<u>943,901</u>
<b>Net movement in cash and cash equivalents</b>		<b>(73,251)</b>	<b>731,090</b>
Cash and cash equivalents at beginning of year		<b>813,551</b>	<b>82,461</b>
<b>Cash and cash equivalents at end of year</b>	<b>9</b>	<b><u>740,300</u></b>	<b><u>813,551</u></b>

The notes on pages 23 to 51 are an integral part of these financial statements.



## Notes to the financial statements

### 1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these 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 financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRSs) as adopted by the EU and with the requirements of the Maltese Companies Act (Cap 386). The financial standalone statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires the Directors to exercise their judgment in the process of applying the Company's accounting policies (see Note 3 - Critical accounting estimates and judgments).

#### *Standards, interpretations and amendments to published standards effective in 2018*

In 2018, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting year beginning on 1 January 2018. The adoption of these revisions to the requirements of IFRSs as adopted by the EU, resulted in changes to the Company's accounting policies.

The Company had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

- IFRS 9 Financial Instruments, and
- IFRS 15 Revenue from Contracts with Customers.

#### *(a) Impact on the financial statements*

As a result of the changes in the Company's accounting policies and as explained in Note (b) and Note (c) below, IFRS 9 and IFRS 15 were adopted using the modified retrospective approach, thus without restating comparative information. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the opening statement of financial position on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more detail by standard below.

	1 January 2018		
	Based on 31 December 2017 (as originally reported) €	Impact of adoption of IFRS 9 €	Restated €
<b>Statement of financial position (extract)</b>			
<b>Current assets</b>			
Trade and other receivables	287,492	(5,559)	281,993
<b>Equity</b>			
Retained earnings	143,125	(5,559)	137,566

**1. Summary of significant accounting policies - continued**

**1.1 Basis of preparation - continued**

*(b) IFRS 9 Financial Instruments - Impact of adoption*

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 1.7. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

The adjustment to the opening retained earnings as at 1 January 2018, amounting to €5,559 represents an increase in provision of expected credit losses on Trade and other receivables. This remeasurment adjustment reduces the carrying amount of the Company's trade and other receivables.

*i) Classification and measurement*

There were no reclassification adjustments to the Company's financial assets on the date of initial application, 1 January 2018.

The measurement category of the financial instruments of the Company were as follows:

	<b>Original (IAS 39)</b>	<b>New (IFRS 9)</b>
Trade and other receivables	Amortised cost	Amortised cost
Cash and cash equivalents	Amortised cost	Amortised cost

*ii) Impairment of financial assets*

The Company has the following types of financial assets that are subject to IFRS 9's new expected credit loss model:

- Trade receivables and other receivables; and
- Cash and cash equivalents

From 1 January 2018 the Company has to assess on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Company was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Company's retained earnings and equity is disclosed in Note (a) above.

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

For trade receivables, the Company applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected impairment provision for all trade receivables. This resulted in an increase of the impairment provision for trade receivables on 1 January 2018 by €5,559. Note 2.1(b) provides details about the calculation of the provision.

**1. Summary of significant accounting policies - continued**

**1.1 Basis of preparation – continued**

*(c) IFRS 15 Revenue from Contracts with Customers – Impact of adoption*

The Company has adopted 'IFRS 15 Revenue from Contracts with Customers' from 1 January 2018 which did not result in changes or adjustments to the amounts recognised in the financial statements as compared with the previous accounting policy, except for the separate presentation of contract assets and contract liabilities in the statement of 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, but are not mandatory for the Company's current financial period ending 31 December 2018. The Company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the assessment of the Company's Directors of the impact of the new standards and interpretations that have an impact on the Company is set out below.

**IFRS 16 - 'Leases'**

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 consideration. The new standard will result in almost all leases being recognised in the statement of financial position, as the distinction between operating and finance leases is removed. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts; an optional exemption is available for certain short-term leases and leases of low-value assets.

The Company will be impacted by IFRS 16 in cases where the Company is a lessee. As at 31 December 2018, the Company has an amount of €4,101 (2017: 46,566) with respect to non-cancellable operating leases as a lessee. In view of the extension and termination options and the non-cancellable amount of leases at the year end, the Directors do not anticipate a significant impact on the financial results and financial position on adoption of IFRS 16. The standard is effective for annual periods beginning as from 1 January 2019 and at this stage the Company does not intend to adopt the standard before its effective date.

In the opinion of the Company's Directors, there are no other standards that are not yet effective and that would be expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

**1.2 Foreign currency translation**

**(a) Functional and presentation currency**

Items included in these financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The euro is the Company'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. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

1. **Summary of significant accounting policies - continued**

**1.3 Property, plant and equipment**

All property, plant and equipment is initially recorded at historical cost and subsequently carried at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the 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 Company 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 profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	%
Improvements to premises	10
Furniture and fittings	10
Computer and office equipment	25
Air conditioners	16.67

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

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. 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). Property, plant and equipment that suffered an impairment is reviewed for possible reversal of the impairment at the end of each reporting period.

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised in profit or loss.

**1. Summary of significant accounting policies – continued**

**1.4 Intangible assets**

*Domains and website development*

Domains acquired are shown at historical cost, which represents their acquisition price. Further website development is capitalised on the basis of the costs incurred to bring to use these assets. The aggregate costs are amortised over their estimated useful lives of four years.

Costs associated with maintaining these intangibles are recognised as an expense when incurred. Development costs that are directly attributable to the design of identifiable and unique websites controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use;
- or sell the intangible asset are available; and;
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Directly attributable costs that are capitalised as part of these intangible assets include the development employee costs.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Assets that are subject to amortisation 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.

**1.5 Investment in subsidiary**

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

An investment in subsidiary is initially measured at cost. After initial recognition, the investment in subsidiary is measured using the equity method.

Under the equity method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the Company's share of the profit or loss or changes in equity of the subsidiary after the date of acquisition, and to recognise any impairment losses. The Company's share of the profit or loss of the subsidiary is recognised in the Company's profit or loss, while the Company's share of the subsidiary's changes in equity is recognised directly in the equity of the Company. Distributions received from the subsidiary reduce the carrying amount of the investment.

## 1. Summary of significant accounting policies - continued

### 1.6 Investments in associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Company's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment losses.

The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Company.

### 1.7 Financial assets

#### 1.7.1 - Accounting policies applied from 1 January 2018

From 1 January 2018, the Company classifies its financial assets in the following measurement categories;

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be 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.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held-for-trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Company reclassifies debt instruments when and only when its business model for managing those assets changes.

#### 1.7.1.1 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company 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 Company has transferred substantially all the risks and rewards of ownership.

**1. Summary of significant accounting policies - continued**

**1.7.1.2 Measurement**

At initial recognition, the Company 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. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

*Debt instruments*

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

*Equity instruments*

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

**1. Summary of significant accounting policies - continued**

**1.7.1.2 Measurement - continued**

*Impairment*

From 1 January 2018, the Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 2.1(b) for further details.

**1.7.2 - Accounting policies applied until 31 December 2017**

The Company has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Company's previous accounting policy.

**1.7.2.1 Classification**

The Company classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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 Company 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 Company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position (refer to accounting policies 1.8 and 1.9).

**1.7.2.2 Recognition and measurement**

The Company 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 Company. 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. 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 Company has transferred substantially all risks and rewards of ownership or has not retained control of the asset.



**1. Summary of significant accounting policies - continued**

**1.7.2.3 Impairment**

The Company 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 Company first assesses whether objective evidence of impairment exists. The criteria that the Company 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.

For financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss. Impairment testing of trade and other receivables is described in accounting policy 1.8.

**1.8 Trade and other receivables**

Trade receivables comprise amounts due from customers for services performed 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.

From 1 January 2018, the Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Up to 31 December 2017, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against profit or loss.

**1. Summary of significant accounting policies - continued**

**1.9 Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of financial position at face value. For the purposes of the statement of cash flows, cash and cash equivalents includes cash in hand and deposits held with banks and the bank overdraft.

**1.10 Non-current assets (or disposal groups) held for sale**

Non-current assets (or disposal groups) are classified as assets held for sale, and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction, rather than through continuing use, and a sale is considered highly probable. These assets may be a component of an entity, a disposal group or an individual non-current asset.

**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 Company recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The Company's financial liabilities are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities') under IAS 39. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of the 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 Company 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 Borrowings**

Borrowings are recognised initially at the fair value of proceeds received, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

**1.14 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**

**1.15 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

**1.16 Current and deferred tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in 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 substantially 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.

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.

**1.17 Provisions**

Provisions for legal claims are recognised when the Company 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. Summary of significant accounting policies - continued**

**1.18 Revenue recognition**

*Sale of services*

Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

*Financing*

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

*Interest income*

Interest income is recognised as the interest accrues using the effective interest method, unless collectability is in doubt.

**1.19 Operating leases**

*Where the Company is the lessee*

Leases of assets where a significant portion of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

**1.20 Borrowing costs**

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

**1.21 Dividend distribution**

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

**1. Summary of significant accounting policies - continued**

**1.22 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments has been identified as the Company's Board of Directors that makes strategic decisions. The Board of Directors considers the Company to be made up of one segment, that is to engage in digital marketing activities and provide related and ancillary services.

**2. Financial risk management**

**2.1 Financial risk factors**

The Company's activities potentially expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company did not make use of derivative financial instruments to hedge risk exposures during the current and preceding financial years. The Board provides principles for overall risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity.

*(a) Market risk*

*(i) Foreign exchange risk*

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the entity's functional currency. The Company has no significant currency risk since substantially all assets and liabilities are denominated in euro.

*(ii) Cash flow and fair value interest rate risk*

The Company's significant instruments which are subject to fixed interest rates represent the bonds issued to the general public (Note 12). In this respect, the Company is exposed to fair value interest rate risk in view of the fixed interest nature of these instruments, which are however measured at amortised cost.

The Directors consider that the Company is not significantly exposed to cash flow interest rate risk since financial instruments subject to variable interest rates are not material. Management monitors the impact of changes in market interest rates on amounts reported in profit or loss in respect of these instruments and 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.

2. **Financial risk management** - continued

2.1 **Financial risk factors** - continued

*(b) Credit risk*

Credit risk arises from cash and cash equivalents and credit exposures to customers, which include outstanding debtor and amounts receivable from related parties.

The maximum credit exposure to credit risk at the reporting date in respect of the financial assets was as follows:

		At 31 December 2018	At 31 December 2017
	Notes	€	€
Loans and receivable category:			
Trade and other receivables	8	298,276	323,325
Cash and cash equivalents	9	749,862	818,319
		<b>1,048,138</b>	<b>1,141,644</b>

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 Company does not hold significant collateral as security in this respect.

*Trade and other receivables*

The Company assesses the credit quality of its customers, the majority of which are unrated, taking into account financial position, past experience and other factors. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. It has policies in place to ensure that sales of services are effected with customers with an appropriate credit history. The Company's management monitors the performance of its trade and other receivables on a regular basis to identify expected credit losses, which are inherent in the Company's debtors, taking into account historical experience in collection of accounts receivable. The Company's trade receivables, which are not impaired financial assets, are principally debts in respect of transactions with customers for whom there is no recent history of default. Management does not expect any losses from non-performance by these customers.

In measuring the expected credit losses on trade receivables, the expected loss rates are based on the payment profiles of sales over a period of time before the reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company adjusts the historical loss rates based on expected changes in these factors.

**2. Financial risk management - continued**

**2.1 Financial risk factors - continued**

*(b) Credit risk - continued*

On that basis, the impairment provision as at 31 December 2018 and 1 January 2018 (on adoption of IFRS 9) was determined as follows for trade receivables:

	Up to 30 days overdue	30 to 60 days overdue	61 to 90 days overdue	91 to 210 days overdue	More than 210 days overdue	Total
<b>31 December 2018</b>						
Expected loss rate	1.37%	1.51%	2.64%	5.17% - 47.82%	50.00%	
Gross carrying amount	65,960	53,963	35,259	69,305	10,493	234,980
Loss allowance	<b>906</b>	<b>816</b>	<b>930</b>	<b>6,584</b>	<b>5,247</b>	<b>14,483</b>
<b>1 January 2018</b>						
Expected loss rate	1.37%	1.51%	2.64%	5.17% - 47.82%	50.00%	
Gross carrying amount	69,017	58,955	36,178	18,112	21,928	204,190
Loss allowance	<b>948</b>	<b>892</b>	<b>954</b>	<b>3,180</b>	<b>10,964</b>	<b>16,938</b>

With respect to trade balances with related parties (as disclosed in Note 24) the Company assesses the credit quality of these related parties by taking into account financial position, performance and other factors. In measuring the expected credit losses on these balances, management determined the impairment provision independently from third party trade receivables and as at 31 December 2018, the impairment loss amounted to €5,502. Management take cognisance of the related party relationship with these entities and settlement arrangements in place in place and management does not expect any further losses from non-performance or default.

The closing impairment provision for trade receivables as at 31 December 2018 reconciles to the opening impairment provisions as follows:

	2018 €	2017 €
<i>Trade and other receivables</i>		
Balance at 1 January - as originally reported	17,685	21,690
Transition adjustment upon adoption of IFRS 9	5,559	-
Balance at 1 January – as restated	<b>23,244</b>	21,690
Decrease in loss allowance recognised in profit or loss during the year	<b>(3,259)</b>	(4,005)
Balance at 31 December	<b>19,985</b>	17,685

As at 31 December 2017, trade receivables of €17,685 were impaired. Provisions for impairment in this respect are equivalent to the amounts disclosed. The Company does not hold any collateral as security in respect of the impaired assets. The movements in provisions for impairment of these receivables are disclosed in Note 17 and are included in 'Other operating expenses' in profit or loss.

## 2. Financial risk management - continued

### 2.1 Financial risk factors - continued

#### *(b) Credit risk - continued*

As at 31 December 2017, trade receivables of €69,259 were past due but not impaired. The ageing of these past due trade receivables was over 3 months. These mainly relate to a number of independent trade customers for whom there is no recent history of default. Whilst a limited number of customers account for a certain percentage of the Company's past due trade debts, management has not identified any major concerns with respect to concentration of credit risk. Categorisation of trade receivables as past due is determined by the Company on the basis of the nature of the credit terms in place and credit arrangements actually utilised in managing exposures with customers.

#### *Previous accounting policy for impairment of trade and other receivables*

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment.

The Company considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

#### Cash and cash equivalents

The Company banks only with local financial institutions with high quality standing or rating. At 31 December 2018 and 31 December 2017, cash and cash equivalents are held with counterparties with a credit rating of BBB and are callable on demand. 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 Company.



**2. Financial risk management - continued**

**2.1 Financial risk factors - continued**

*(c) Liquidity risk*

The Company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally interest-bearing borrowings (Note 12) and trade and other payables (Note 14). Prudent liquidity risk management includes maintaining sufficient cash to ensure the availability of an adequate amount of funding to meet the Company's obligations.

Management monitors liquidity risk by reviewing expected cash flows and ensures that no additional financing facilities are expected to be required over the coming year. The Company's liquidity risk is actively managed taking cognisance of the matching of cash inflows and outflows arising from expected maturities of financial instruments, together with the Company's committed bank borrowing facilities and other financing that it can access to meet liquidity needs. In this respect management does not consider liquidity risk to the Company as significant taking into account the liquidity management process referred to above.

The following table analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at 31 December 2018 and 2017 to the contractual maturity date. The amounts disclosed in the tables below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	<b>Less than 1 year €</b>	<b>Between 1 and 2 years €</b>	<b>Between 2 and 5 years €</b>	<b>Over 5 years €</b>	<b>Total €</b>
<b>31 December 2018</b>					
Bonds	55,000	55,000	165,000	1,190,616	1,465,616
Bank overdraft	9,562	-	-	-	9,562
Trade and other payables	129,587	-	-	-	129,587
<b>Total</b>	<b>194,149</b>	<b>55,000</b>	<b>165,000</b>	<b>1,190,616</b>	<b>1,604,765</b>
<b>31 December 2017</b>					
Bonds	55,000	55,000	165,000	1,245,820	1,520,820
Bank overdraft	4,768	-	-	-	4,768
Trade and other payables	160,244	-	-	-	160,244
<b>Total</b>	<b>220,012</b>	<b>55,000</b>	<b>165,000</b>	<b>1,245,820</b>	<b>1,685,832</b>

With respect to the maturity of the Company's financial liabilities as at 31 December 2018 and 31 December 2017, the Directors disclose that the Company's trade and other payables are entirely repayable within one year from the end of the respective reporting period and bank overdraft is repayable on demand.

## 2. Financial risk management - continued

### 2.2 Fair value estimation

The fair value information of the Company's non-current interest bearing borrowings is disclosed in Note 12.

At 31 December 2018 the carrying amounts of cash at bank, receivables, short term borrowings, payables and accrued expenses reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

### 2.3 Capital risk management

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders;
- to maintain an optimal capital structure to reduce the cost of capital; and
- to comply with requirements of the Admission document issued in relation to the 5.5% 2027 bonds.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence to sustain future development of business. The Board of Directors monitors the return on capital, which the Company defines as the results for the year divided by total equity. The Board of Directors also monitors the level of dividends to ordinary shareholders.

In view of the nature of the Company's activities and the extent of borrowings or debt, the capital level at the end of the reporting period determined by reference to the financial statements is deemed adequate by the Directors.

## 3. Critical accounting estimates and judgments

Estimates and judgments 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 judgments 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**

	Improvement to premises €	Furniture & fittings €	Computer and office equipment €	Air conditioners €	Total €
<b>At 1 January 2017</b>					
Cost	-	4,241	18,479	4,692	27,412
Accumulated depreciation	-	(876)	(10,806)	(2,284)	(13,966)
Net book amount	-	3,365	7,673	2,408	13,446
<b>Year ended 31 December 2017</b>					
Opening net book amount	-	3,365	7,673	2,408	13,446
Additions	13,539	5,666	12,620	1,481	33,306
Depreciation charge	(451)	(894)	(4,779)	(893)	(7,017)
Closing net book amount	<b>13,088</b>	<b>8,137</b>	<b>15,514</b>	<b>2,996</b>	<b>39,735</b>
<b>At 31 December 2017</b>					
Cost	13,539	9,907	31,099	6,173	60,718
Accumulated depreciation	(451)	(1,770)	(15,585)	(3,177)	(20,983)
Net book amount	<b>13,088</b>	<b>8,137</b>	<b>15,514</b>	<b>2,996</b>	<b>39,735</b>
<b>Year ended 31 December 2018</b>					
Opening net book amount	13,088	8,137	15,514	2,996	39,735
Additions	-	1,690	2,956	-	4,646
Depreciation charge	(1,439)	(992)	(6,181)	(965)	(9,577)
Closing net book amount	<b>11,649</b>	<b>8,835</b>	<b>12,289</b>	<b>2,031</b>	<b>34,804</b>
<b>At 31 December 2018</b>					
Cost	13,539	11,597	34,055	6,173	65,364
Accumulated depreciation	(1,890)	(2,762)	(21,766)	(4,142)	(30,560)
Net book amount	<b>11,649</b>	<b>8,835</b>	<b>12,289</b>	<b>2,031</b>	<b>34,804</b>

**5. Intangible assets**

	At 31 December 2018 €	At 31 December 2017 €
<b>Domains and website development</b>		
<b>Year ended 31 December</b>		
Opening net book amount	75,262	-
Additions – internal development	55,252	82,218
Amortisation charge	(30,191)	(6,956)
Closing net book amount	<b>100,323</b>	75,262
<b>At 31 December</b>		
Cost	137,470	82,218
Accumulated amortisation	(37,147)	(6,956)
Net book amount	<b>100,323</b>	75,262

**6. Investment in associates**

	At 31 December 2018 €	At 31 December 2017 €
<b>Year end 31 December</b>		
Opening carrying amount	13,081	-
Reclassification to assets classified as held for sale (Note 10)	(13,081)	-
Additions	67	22,500
Share of results	-	(9,419)
	67	13,081
<b>At 31 December</b>		
Cost	67	22,500
Share of results	-	(9,419)
	67	13,081

The additions during the current financial year represent the Company's acquisition of 28% of the ordinary shares in Taaable Technologies Ltd.

During the current financial year the Company reclassified the carrying amount of the investment in Fetchit Technologies Ltd, amounting to €13,081, to assets classified as held for sale (Note 10), in view of management's decision to dispose of the investment as evidenced by a Memorandum of Understanding entered into by the Company on 7 February 2019. The carrying amount, at point of transfer, has been capped to the expected recoverable amount which has been agreed with the buyer

The associates at 31 December 2018 whose results and financial position affected the figures of the Company are shown below:

	Registered office	Percentage and class of shares held	Nature of business
Fetchit Technologies Ltd (refer to Note 10)	22, Lascaris Wharf, Valletta, VLT 1921, Malta	26.25% Ordinary shares (2017: 26.25%)	Courier services
Taaable Technologies Ltd	SOHO Office Hotel, Edge Water Business Centre, Elia Zammit Street St. Julians, STJ 3150, Malta	28% Ordinary shares (2017: nil)	Online restaurant booking portal

The associates are not deemed material to the Company taking cognisance of the Company's financial position. Accordingly, the disclosures emanating from IFRS12 'Disclosures of interests in other entities' were not deemed necessary for the user's understanding of the financial results and financial position of the Company. The Company's share of the results of the associates and its share of the assets and liabilities are not deemed material for the purposes of disclosure.

**7. Investment in subsidiary**

	<b>At 31 December 2018</b>	<b>At 31 December 2017</b>
	<b>€</b>	<b>€</b>
<b>Year end 31 December</b>		
Additions	240	-
Closing cost and carrying amount	240	-

The additions during the current financial year represent the Company's acquisition of 100% of the ordinary shares in ANCHOVY. International Investments Limited.

The subsidiary at 31 December 2018 is shown below:

	<b>Registered office</b>	<b>Percentage and class of shares held</b>	<b>Nature of business</b>
ANCHOVY. International Investments Limited	682, St. Joseph High Road, Hamrun, Malta	100% Ordinary shares	Investment holding company

The subsidiary is not deemed material to the Company taking cognisance of the Company's financial position. Accordingly, the disclosures emanating from IFRS12 'Disclosures of interests in other entities' were not deemed necessary for the user's understanding of the financial results and financial position of the Company.

As at 31 December 2018, the subsidiary's net liabilities and net loss for the financial year then ended amounted to €2,065 and €2,305 respectively.

**8. Trade and other receivables**

	<b>At 31 December 2018</b>	<b>At 31 December 2017</b>
	<b>€</b>	<b>€</b>
<b>Current</b>		
Trade receivables	287,702	292,471
Loans due from related parties	720	10,368
Other debtors	5,346	10,728
Prepayments and accrued income	4,508	9,758
	298,276	323,325

Trade receivables above are disclosed net of provisions for impairment for doubtful debts of €19,985 (2017: €17,685).

As at 31 December 2018, loans due from related parties are disclosed net of an impairment of €16,220 (2017: Nil).

As at 31 December 2018, other debtors includes a bank guarantee amounting to €3,090 provided by the Company in favour of one of its customers (Note 23).

**9. Cash and cash equivalents**

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

	<b>At 31 December 2018 €</b>	<b>At 31 December 2017 €</b>
Cash at bank and in hand	749,862	818,319
Bank overdraft (Note 12)	(9,562)	(4,768)
	<b>740,300</b>	<b>813,551</b>

**10. Assets classified as held for sale**

	<b>At 31 December 2018 €</b>	<b>At 31 December 2017 €</b>
Reclassification from investments in associates	13,081	-
	<b>13,081</b>	-

During the current financial year the Company reclassified the carrying amount of the investment in Fetchit Technologies Ltd, amounting to €13,081, from investment in associates (Note 6), in view of management's decision to dispose of the investment as evidenced by a Memorandum of Understanding entered in to by the Company on 7 February 2019. The carrying amount, at point of transfer, has been capped to the expected recoverable amount which has been agreed with the buyer.

**11. Share capital**

	<b>At 31 December 2018 €</b>	<b>At 31 December 2017 €</b>
<b>Authorised</b>		
453,000 Ordinary shares of €1 each	453,000	453,000
34,780 Ordinary 'A' shares of €1 each	34,780	34,780
12,220 Ordinary 'B' shares of €1 each	12,220	12,220
	<b>500,000</b>	<b>500,000</b>
<b>Issued</b>		
34,780 Ordinary 'A' shares of €1 each – 25% paid up	8,695	8,695
12,220 Ordinary 'B' shares of €1 each - (312 100% paid up and 11,908 25% paid up)	3,289	3,289
	<b>11,984</b>	<b>11,984</b>

**11. Share capital - continued**

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

During 2017, for the Company's listing requirements, the Company's authorised share capital was increased from 1,200 ordinary shares of €1 each to 500,000 ordinary shares of €1 each. The Company's issued share capital increased from 1,200 ordinary shares of €1 each (888 ordinary shares of €1 each 20% paid up and 312 ordinary shares of €1 fully paid up) to 47,000 ordinary shares of €1 each (46,688 ordinary shares of €1 each 25% paid up and 312 ordinary shares of €1 each fully paid up).

**12. Borrowings**

	<b>At 31 December 2018 €</b>	<b>At 31 December 2017 €</b>
<b>Current</b>		
Bank overdraft	<b>9,562</b>	4,768
<b>Non-current</b>		
10,000 5.5% unsecured bonds 2027	<b>973,575</b>	970,416

By virtue of the Admission document dated 10 May 2017, the Company issued for subscription by the general public 10,000 unsecured bonds for an amount of €1,000,000. The bonds have a nominal value of €100 per bond and have been issued at par.

The bonds are subject to a fixed Interest rate of 5.5% per annum payable annually in arrears on 19 June of each year. All bonds are redeemable at par (€100 for each bond) on 19 June 2027.

The proceeds from the bond issue are to be used for the Company's general commercial purposes, which will include the following

- to expand into new markets;
- diversification of offering into new, ancillary areas such as affiliate marketing;
- investing in IT systems and infrastructure;
- strengthening the organisation's capacity and depth, primarily by lateral recruitment within the technology, product development and marketing and sales spaces.

The bonds have been admitted on Prospects MTF, a multilateral trading facility (MTF) operated by the Malta Stock Exchange (MSE). The quoted market price of the bonds at 31 December 2018 was €103.50 (2017: €101.50) which in the opinion of the Directors fairly represented the fair value of these financial liabilities. The fair value estimate in this respect is deemed Level 1 of the fair value measurement hierarchy as it constitutes a quoted price in an active market.

**12. Borrowings - continued**

The bonds are measured at the amount of net proceeds adjusted for the amortisation of the difference between net proceeds and the redemption value of the bonds using the effective interest method as follows:

	<b>At 31 December 2018</b>	<b>At 31 December 2017</b>
	€	€
<b>5.5% unsecured bonds 2027</b>		
Original face value of bonds issued	1,000,000	1,000,000
Gross amount of bond issue costs	<u>(31,593)</u>	<u>(31,593)</u>
Amortisation of gross amount of bond issue costs: Amortisation charge for the year (Note 18)	3,159	2,009
Accumulated amortisation at end of year	<u>5,168</u>	<u>2,009</u>
Unamortised bond issue costs	<u>(26,425)</u>	<u>(29,584)</u>
Amortised cost and closing carrying amount	<u><b>973,575</b></u>	<u><b>970,416</b></u>

The Company's banking facilities as at 31 December 2018 amounted to €10,000 (2017 €10,000). Such facilities are mainly secured by guarantees from the Company's Directors. As at 31 December 2018, the bank overdraft is subject to a variable rate of interest of 5.7% (2017: 6.2%).

**13. Deferred tax**

Deferred income 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%).

During the period ended 31 December 2018 a deferred tax liability of €13,526 (2017: €7,836), in respect of taxable temporary differences arising on amortisation of intangible assets and depreciation of property, plant and equipment, was recognised in profit or loss. An equivalent and offsetting deferred tax asset in respect of unutilised tax credits was also recognised.

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

	<b>At 31 December 2018</b>	<b>At 31 December 2017</b>
	€	€
Unutilised tax credits arising from unabsorbed tax losses	5,301	2,678
Unutilised tax credits arising from unabsorbed capital allowances	8,225	5,157
Temporary differences arising on depreciation of property, plant and equipment	(897)	(678)
Temporary differences arising on amortisation of intangible assets	<u>(12,629)</u>	<u>(7,157)</u>
	<u>-</u>	<u>-</u>



**13. Deferred tax - continued**

At the end of the reporting period the Company had the following unutilised tax credits and temporary differences:

	Unrecognised		As at 31 December 2018 €	Recognised As at 31 December 2017 €
	As at 31 December 2018 €	As at 31 December 2017 €		
Unutilised tax credits arising from:				
Unabsorbed tax losses	47,536	33,533	15,146	7,654
Unabsorbed capital allowances	-	-	23,499	14,733
Taxable temporary differences arising on depreciation of property, plant and equipment	-	-	(2,563)	(1,937)
Taxable temporary differences arising on intangible assets	-	-	(36,082)	(20,450)
Deductible temporary differences arising on provisions for impairment of trade and other receivables	19,985	17,685	-	-

The deferred tax asset arising from the unrecognised unutilised tax losses and temporary differences has not been reflected in these financial statements. Whereas tax losses have no expiry date, unabsorbed capital allowances are forfeited upon cessation of the trade.

**14. Trade and other payables**

	At 31 December 2018 €	At 31 December 2017 €
Trade payables	8,079	35,192
Other payables	19,609	19,326
Indirect taxation	32,959	34,940
Accrued bond interest payable	29,329	29,333
Other accruals	14,471	25,275
Contract liabilities	25,140	16,178
	<b>129,587</b>	<b>160,244</b>

**15. Revenue**

Revenue is all derived from the provision of digital marketing activities and ancillary services.

**16. Employee benefit expense**

	2018 €	2017 €
Wages and salaries, including Directors' remuneration	618,604	497,652
Social security costs	40,958	33,678
	659,562	531,330
Less: employee costs capitalised as part of website development	(41,854)	(65,642)
	617,708	465,688

Average number of persons employed during the year was 25 (2017: 21).

Included above are Directors' salaries and other emoluments amounting to €139,025 (2017: €109,854).

**17. Expenses by nature**

	2018 €	2017 €
Media buying, software and platform expenses	144,676	132,987
Legal and other professional fees	51,898	47,145
Property operating lease rentals payable	45,993	46,042
Movements in provision for impairment of trade receivables	(3,259)	(4,005)
Movements in provision for impairment of amounts due by associated companies.	16,220	-
Other expenses	148,085	86,676
	403,613	308,845

**Auditor's fees**

Fees charged by the auditor for services rendered during the financial periods ended 31 December 2017 relate to the following:

	2018 €	2017 €
Audit fees	7,000	7,000
	7,000	7,000

**18. Finance costs**

	2018 €	2017 €
Bonds interest expense (Note 12)	58,159	31,342
Bank interest and charges	2,501	2,278
	60,660	33,620

**19. Tax expense**

	2018 €	2017 €
Current tax expense	-	-

The tax on the Company's (loss)/ profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2018 €	2017 €
Loss before tax	(28,296)	(33,318)
Tax at 35%	(9,904)	(11,661)
Tax effect of:		
Share of results of associate	-	3,297
Unrecognised deferred tax movement	5,706	8,092
Other differences	4,198	272
	-	-

**20. Dividends**

	2018 €	2017 €
Net final dividends paid on ordinary shares	-	36,000
Dividend per share	-	30

**21. Cash generated from operations**

Reconciliation of operating profit to cash generated from operations:

	2018 €	2017 €
Operating profit	32,364	9,721
Adjustments for:		
Amortisation of intangible assets	30,191	6,956
Depreciation of property, plant and equipment	9,577	7,017
Movement in provision for impairment of trade receivables	(3,259)	(4,005)
Impairment of amounts due by associated companies	16,220	-
Changes in working capital:		
Trade and other receivables	6,529	(73,257)
Trade and other payables	(30,657)	113,860
Cash generated from operations	60,965	60,292

**22. Operating lease commitments**

*Where the Company is the lessee*

The future minimum lease payments payable under non-cancellable property operating leases principally relate to office rentals which expire within a period ranging from 3 months to 14 months from the end of the reporting period.

	2018 €	2017 €
Not later than 1 year	4,101	31,626
Later than 1 year and not later than 5 years	-	14,940
	4,101	46,566

**23. Contingencies**

The Company's contingent liabilities as at 31 December 2018 includes:

	2018 €	2017 €
Bank guarantees	3,090	-
	3,090	-

**24. Related parties**

The Company's Directors consider the subsidiary and associate of the Company (Note 6 and 7), all entities owned or controlled by common shareholders and the Company's key management personnel to be the principal related parties of the Company. Transactions with these related parties would typically relate to the selling of digital marketing services in the ordinary course of business. Except for transactions disclosed or referred to previously in these financial statements, the operating transactions with related parties that have a material effect on the Company's results and financial position are disclosed below:

	2018 €	2017 €
<b>Sales - provision of digital marketing services</b>		
Associate	-	13,889
Key management personnel	-	15,254
Other related party	127,611	182,743
	127,611	211,886

Key management personnel comprise the Directors of the Company. Key management personnel compensation relates to the Directors' remuneration which is disclosed in Note 16.

**24. Related parties - continued**

Year end balances with related parties, arising principally from the trading transactions referred to above are disclosed below:

	<b>At 31 December 2018 €</b>	<b>At 31 December 2017 €</b>
Amounts owed by associate (stated net of provisions for impairment)	<b>12,000</b>	17,687
Amounts owed by related party (stated net of provisions for impairment)	<b>56,322</b>	89,908
	<hr/> <b>68,323</b> <hr/>	<hr/> 107,595 <hr/>

All balances with related parties are unsecured, interest free and repayable on demand.

**25. Statutory information**

Anchovy Studios plc is a public limited liability company and is incorporated in Malta. The ultimate beneficial owners are Zachary and Benjamin Borg.

