

IMPRESA LIMITED

Annual Report and Consolidated
Financial Statements
31 December 2017

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Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2017.

Principal activities

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

Review of business

In recent years the Group has undergone substantial re-organization to overcome past financial challenges. During 2016 (eventually carried out in 2017), the Group successfully issued a €3.7M 5.50% Unsecured Bond of nominal value €1,000 per Bond issues at par (€1,000) on Prospects. IG Finance plc (the SPV incorporated for the purpose of this bond and to act as the finance company of the Group) was in fact the first Maltese company to be listed on this secondary market. This provided a number of solutions and advantages towards the financial backbone of the Group, including but not limited to:

1. The possibility to exploit various business opportunities through further planned investments;
2. Spreading Group commitments over a longer period, bringing these in line with future inflows;
3. Access to the market; and
4. The introduction of Non-Executive Directors resulting in better Corporate Governance.

The Directors expect that the activities of the company will remain consistent for the foreseeable future in line with the projected inflows and outflows.

The Group's turnover for the year increased by 9.8% from €5.6M during the year ended 31 December 2016 to €6.1M during the year ending 31 December 2017. The increase is a result of larger volumes sold to customer.

Cost of sales increased by 15% during the year. The greater increase does show that greater inefficiencies were resulted. Even though the Group managed to achieve substantial cost savings during the year following its investment in more efficient machinery as well as in utility bills following an extensive investment in photovoltaic panels carried out in three separate phases over 2014 up to 2016, employee costs and the average number of persons employed by the company during the year did in fact increase. Details of such are detailed in Note 18.

Whilst in 2016 the EBITDA emanating from the Group's core business amounted to €1,108K, the EBITDA in 2017 was in fact €1,215K, which signifies another year on year growth in core business of 9.7%. Furthermore, the profit before tax of the Group grew by 64.6% over 2016. The Group believes that the benefits from the investment and operational cost measures has continued to significantly improve the company's core business performance.

In terms of balance sheet management, the Directors have projected a favourable balance sheet for 2018 together with another healthy growth in the Group's profitability. As a result of the above indicated improved performance, together with the significant changed in the Group's financial model, as at 31 December 2017 current assets exceeded current liabilities by €2,673K against the €1,732K net current liability result of 2016.

Directors' report - continued

Review of business - continued

It is vital to note that over the past four years the Group invested around €2.42M in new product lines and/or extensions to the existing operations with the objective of increasing profitability and improving its balance sheet. Further improvement was expected and resulted during 2017 through growth in turnover and therefore higher utilisation of the investment, besides further operational cost efficiency measures such as consolidation of all operations centrally.

During 2017, the Group embarked on another investment plan which is planned over 2018 and 2019, totalling an amount of €1.56M. The Directors expect further growth in profitability in line with this planned investment.

Results and dividends

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

Directors

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

Mr. Charles Borg – Appointed on 2 March 2017
Mr. Joseph Borg – Appointed on 19 December 2016
Mr. Anton Borg – Appointed on 19 December 2016
Mr. Mark Joseph Borg – Appointed on 2 March 2017
Mr. Julian Edward Borg – Appointed on 2 March 2017
Ms. Kristina Borg (Executive Director) – Appointed on 12 September 2017
Eng. Joseph Restall – Appointed on 2 March 2017
Mr. Nicholas Borg – Appointed on 2 March 2017

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

Statement of directors' responsibilities for the financial statements

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

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

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

Directors' report - continued

Statement of directors' responsibilities for the financial statements - continued

The directors are also responsible for designing, implementing and maintaining internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Maltese Companies Act, 1995. They are also responsible for safeguarding the assets of the Group and the parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

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

On behalf of the board



Mr Anton Borg
Director



Mr. Joseph Borg
Director

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

26 March 2018



Independent auditor's report

To the Shareholders of Impresa Limited

Report on the audit of the financial statements

Our opinion

In our opinion:

- Impresa Limited's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the Group and the parent company's financial position as at 31 December 2017, and of the Group and the parent company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of Maltese Companies Act (Cap. 386).

What we have audited

Impresa Limited's financial statements, set out on pages 8 to 37, comprise:

- the consolidated and parent company statements of financial position as at 31 December 2017;
- the consolidated and parent company statements of comprehensive income for the year then ended;
- the consolidated and parent company statements of changes in equity for the year then ended;
- the consolidated and parent company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.



Independent auditor's report - continued

To the Shareholders of Impresa Limited

Other information

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

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

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

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

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

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

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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



Independent auditor's report - continued

To the Shareholders of Impresa Limited

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



Independent auditor's report - continued

To the Shareholders of Impresa Limited

Report on other legal and regulatory requirements

Other matters on which we are required to report by exception

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

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

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

PricewaterhouseCoopers

78, Mill Street
Qormi
Malta

A handwritten signature in dark ink, appearing to read 'Valenzia', written over a diagonal line.

David Valenzia
Partner

26 March 2018

Statements of financial position

		As at 31 December			
	Notes	Group 2017 €	2016 €	Company 2017 €	2016 €
ASSETS					
Non-current assets					
Property, plant and equipment	4	2,505,739	2,433,326	-	-
Intangible assets	5	2,997,500	2,997,500	-	-
Investment in subsidiaries	6	2,329	2,329	3,047,000	3,047,000
Available-for-sale financial assets	7	9,477	9,477	-	-
Deferred tax asset	8	342,906	121,000	-	-
Total non-current assets		5,857,951	5,563,632	3,047,000	3,047,000
Current assets					
Inventories	9	1,745,571	1,544,435	-	-
Trade and other receivables	10	989,700	634,210	64,768	-
Cash and cash equivalents	11	800,466	140,775	4	45
Total current assets		3,535,737	2,319,420	64,772	45
Total assets		9,393,688	7,883,052	3,111,772	3,047,045

Statements of financial position - continued

		As at 31 December			
Notes	Group		Company		
	2017 €	2016 €	2017 €	2016 €	
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	12	500,000	500,000	500,000	500,000
Reserves	13	64,534	65,893	-	-
Retained earnings		2,370,095	1,777,458	4,083	3,584
Total equity		2,934,629	2,343,351	504,083	503,584
Non-current liabilities					
Borrowings	14	4,331,568	1,083,746	-	-
Trade and other payables	15	323,661	877,003	-	-
Total non-current liabilities		4,655,229	1,960,749	-	-
Current liabilities					
Borrowings	14	536,883	549,304	-	-
Trade and other payables	15	1,252,617	3,015,666	2,607,689	2,543,461
Current taxation		14,330	13,982	-	-
Total current liabilities		1,803,830	3,578,952	2,607,689	2,543,461
Total liabilities		6,459,059	5,539,701	2,607,689	2,543,461
Total equity and liabilities		9,393,688	7,883,052	3,111,772	3,047,045

The notes on pages 14 to 37 are an integral part of these consolidated financial statements. The consolidated financial statements on pages 8 to 37 were authorised for issue by the board on 26 March 2018 and were signed on its behalf by:


Mr Anton Borg
Director


Mr Joseph Borg
Director

Statements of comprehensive income

		Year ended 31 December			
	Notes	Group		Company	
		2017 €	2016 €	2017 €	2016 €
Revenue	16	6,132,966	5,585,474	-	-
Cost of sales	17	(4,758,332)	(4,138,853)	-	-
Gross profit		1,374,634	1,446,621	-	-
Administrative expenses	17	(643,839)	(892,443)	(4,501)	(2,758)
Other operating income		226,168	111,587	-	-
Operating profit/(loss)		956,963	665,765	(4,501)	(2,758)
Analysed as follows:					
Operating profit/(loss) before non-recurring items		956,963	830,527	(4,501)	(2,758)
Non-recurring items presented within "administrative expenses"		-	(164,762)	-	-
Operating profit/(loss) after non-recurring items		956,963	665,765	(4,501)	(2,758)
Investment income	20	-	-	430,000	399,000
Finance costs	21	(161,232)	(182,397)	-	-
Profit before tax		795,731	483,368	425,499	396,242
Tax credit	22	221,906	121,288	-	-
Profit for the year - total comprehensive income		1,017,637	604,656	425,499	396,242

The notes on pages 14 to 37 are an integral part of these consolidated financial statements.

Statements of changes in equity

Group

	Note	Share capital €	Reserves €	Retained earnings €	Total €
Balance at 1 January 2016		500,000	65,449	1,568,359	2,133,808
Profit for the year - total comprehensive income		-	-	604,656	604,656
Transactions with owners Dividends		-	-	(395,557)	(395,557)
Net currency translation difference for the year	13	-	444	-	444
Balance at 31 December 2016		500,000	65,893	1,777,458	2,343,351
Balance at 1 January 2017		500,000	65,893	1,777,458	2,343,351
Profit for the year - total comprehensive income		-	-	1,017,637	1,017,637
Transactions with owners Dividends		-	-	(425,000)	(425,000)
Net currency translation difference for the year	13	-	(1,359)	-	(1,359)
Balance at 31 December 2017		500,000	64,534	2,370,095	2,934,629

The notes on pages 14 to 37 are an integral part of these consolidated financial statements.

Statements of changes in equity - continued

Company

	Share capital €	Retained earnings €	Total €
Balance at 1 January 2016	500,000	2,899	502,899
Profit for the year - total comprehensive income	-	396,242	396,242
Transaction with owners Dividends	-	(395,557)	(395,557)
Balance at 31 December 2016	500,000	3,584	503,584
Balance at 1 January 2017	500,000	3,584	503,584
Profit for the year - total comprehensive income	-	425,499	425,499
Transaction with owners Dividends	-	(425,000)	(425,000)
Balance at 31 December 2017	500,000	4,083	504,083

The notes on pages 14 to 37 are an integral part of these consolidated financial statements.

Statements of cash flows

		Year ended 31 December			
	Notes	Group		Company	
		2017 €	2016 €	2017 €	2016 €
Cash flows from operating activities					
Cash (used in)/generated from operations	23	(1,472,018)	1,250,584	(2,934)	(3,472)
Investment income		-	-	430,000	399,000
Income tax received/paid		348	(60)	-	-
Interest payable and similar charges	21	(161,232)	(182,397)	-	-
Net cash (used in)/generated from operating activities		(1,632,902)	1,068,127	427,066	395,528
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(329,674)	(228,531)	-	-
Proceeds on sale of property, plant and equipment		-	25,000	-	-
Purchase of available-for-sale financial assets	7	-	(500)	-	-
Movement in net amount due to subsidiaries		-	-	179,785	146,149
Acquisition of investment in subsidiary	6	-	-	-	(47,000)
Net cash (used in)/generated from investing activities		(329,674)	(204,031)	179,785	99,149
Cash flows from financing activities					
Movement in bank and other loans		(531,470)	(276,847)	-	-
Proceeds from issuance of bonds	14	3,606,360			
Movement in advances from shareholders		(181,891)	(99,083)	(181,892)	(99,083)
Dividend paid		(425,000)	(395,557)	(425,000)	(395,557)
Net cash generated from/(used in) financing activities		2,467,999	(771,487)	(606,892)	(494,640)
Movement in cash and cash equivalents		505,423	92,609	(41)	37
Cash and cash equivalents at beginning of year		(141,257)	(233,866)	45	8
Cash and cash equivalents at end of year	11	364,166	(141,257)	4	45

The notes on pages 14 to 37 are an integral part of these consolidated financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

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

1.1 Basis of preparation

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

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

In recent years the Group has undergone substantial re-organization to meet its financial challenges. As at 31 December 2017, current assets exceeded current liabilities by €1,732K (2016: net current liability position €1,260K). In terms of balance sheet management, the Directors have projected a favourable balance sheet for 2018 together with another healthy growth in the Group's profitability.

During 2016 (eventually carried out in 2017), the Group successfully issued a €3.7M 5.50% Unsecured Bond of nominal value €1,000 per Bond issues at par (€1,000) on Prospects. IG Finance plc (the SPV incorporated for the purpose of this bond and to act as the finance company of the Group) was in fact the first Maltese company to be listed on this secondary market. This provided a number of solutions and advantages towards the financial backbone of the Group, including but not limited to:

1. The possibility to exploit various business opportunities through further planned investments;
2. Spreading Group commitments over a longer period, bringing these in line with future inflows;
3. Access to the market; and
4. The introduction of Non-Executive Directors resulting in better Corporate Governance.

Whilst in 2016 the EBITDA emanating from the Group's core business amounted to €1,108K, the EBITDA in 2017 was in fact €1,215K, which signifies another year on year growth in core business of 9.7%. Furthermore, the profit before tax of the Group grew by 64.6% over 2016. The Group believes that the benefits from the investment and operational cost measures has continued to significantly improve the company's core business performance.

It is vital to note that over the past four years the Group invested around €2.42M in new product lines and/or extensions to the existing operations with the objective of increasing profitability and improving its balance sheet. Further improvement was expected and resulted during 2017 through growth in turnover and therefore higher utilisation of the investment, besides further operational cost efficiency measures such as consolidation of all operations centrally.

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

Standards, interpretations and amendments to published standards effective in 2017

In 2017, the Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 January 2017. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Group's accounting policies.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

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

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 mandatory for the Group's accounting periods beginning after 1 January 2018. The Group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Group's directors are of the opinion that, there are no requirements that will have a possible significant impact on the Group's financial statements in the period of initial application.

1.2 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

(c) Group companies

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

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

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

1. Summary of significant accounting policies - continued

1.3 Consolidation

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

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

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

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

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

1.4 Property, plant and equipment

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

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

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

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

1. Summary of significant accounting policies - continued

1.4 Property, plant and equipment - continued

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

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

1.5 Impairment of non-financial assets

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

1.6 Investment in subsidiaries

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

1.7 Financial assets

1.7.1 Classification

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

(a) Loans and receivables

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

1. Summary of significant accounting policies - continued

1.7 Financial assets - continued

1.7.1 Classification - continued

(b) Available-for-sale financial assets

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

1.7.2 Recognition and measurement

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

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

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

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

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

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

1. Summary of significant accounting policies - continued

1.7 Financial assets - continued

1.7.3 Impairment

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

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

Assets classified as available-for-sale

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

1.8 Inventories

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

1.9 Trade and other receivables

Trade receivables comprise amounts due from customers for merchandise sold or 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. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit or loss.

1. Summary of significant accounting policies - continued

1.9 Trade and other receivables - continued

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 in the profit or loss.

1.10 Cash and cash equivalents

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

1.11 Share capital

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

1.12 Financial liabilities

The Group recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The Group's financial liabilities are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities') under IAS 39. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. The Group derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

1.13 Trade and other payables

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

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

1.14 Borrowings

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

1. Summary of significant accounting policies - continued

1.15 Current and deferred tax

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

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

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

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

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

1.16 Revenue recognition

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

(a) Sale of goods

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

(b) Finance income

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

(c) Dividend income

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

1. Summary of significant accounting policies - continued

1.17 Borrowing costs

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

1.18 Provisions

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

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

1.19 Training grants

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

1.20 Government grants

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

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

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

2. Financial risk management

2.1 Financial risk factors

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

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

2. Financial risk management - continued

2.1 Financial risk factors - continued

(a) Market risk

(i) Foreign exchange risk

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

(ii) Cash flow and fair value interest rate risk

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

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

(b) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks, investments, as well as credit exposures to customers, including outstanding receivables and committed transactions.

The Group's exposures to credit risk as at the end of the reporting period are analysed as follows:

	2017 €	2016 €
Trade and other receivables (Note 10)	958,967	609,011
Cash and cash equivalents (Note 11)	800,466	140,775

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

The Group banks only with local financial institutions with high quality standing or rating.

This year the Group has concentration of credit risk of 54% with respect to trade receivables in view of the few number of customers comprising its trade receivables base. The Group assesses the credit quality of its customers taking into account financial position, past experience and other factors. It has policies in place to ensure that sales of products and services are effected to customers with an appropriate credit history. The Group monitors the performance of these financial assets on a regular basis to identify incurred collection losses which are inherent in the Group's receivables taking into account historical experience in collection of accounts receivable.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

The Group manages credit limits and exposures actively in a practicable manner such that there are no material past due amounts receivable from customers as at the end of the reporting period. The Group's receivables, which are not impaired financial assets, are principally 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.

(c) Liquidity risk

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

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

	Less than one year €	Between 1 & 2 years €	Between 2 & 5 years €	Over 5 years €	Total €
Group					
At 31 December 2017					
Bank borrowings	536,882	105,755	351,738	3,966,466	4,960,841
Trade and other payables	7,422,825	91,962	3,554,078	28,555	11,097,420
At 31 December 2016					
Bank borrowings	549,304	243,293	444,079	396,374	1,633,050
Trade and other payables	3,744,327	24,000	72,000	52,342	3,892,669
Company					
At 31 December 2017					
Trade and other payables	2,607,689	-	-	-	2,607,689
At 31 December 2016					
Trade and other payables	2,543,461	-	-	-	2,543,461

2. Financial risk management - continued

2.2 Capital risk management

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

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

2.3 Fair values of financial instruments

At 31 December 2017 and 2016, the carrying amounts of cash at bank, receivables, available-for-sale financial assets, payables, accrued expenses and short-term borrowings reflected in the financial statements are reasonable estimates of fair values in view of the nature of these instruments on the relatively short period of time between the organisation of the instruments and this expected realisation.

3. Critical accounting estimates and judgements

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

In the opinion of the directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

4. Property, plant and equipment

Group	Land and buildings €	Plant, machinery and equipment €	Other fixtures, fittings, tools and equipment €	Motor vehicles €	Solar system panels €	Total €
At 1 January 2016						
Cost	591,179	4,605,944	425,041	106,737	1,074,766	6,803,667
Accumulated depreciation	(375,457)	(3,417,456)	(361,109)	(100,514)	(66,983)	(4,321,519)
Net book amount	215,722	1,188,488	63,932	6,223	1,007,783	2,482,148
Year ended 31 December 2016						
Opening net book amount	215,722	1,188,488	63,932	6,223	1,007,783	2,482,148
Additions	21,089	84,433	21,075	-	101,934	228,531
Disposals	(21,650)	-	(23,944)	-	-	(45,594)
Depreciation released on disposals	6,440	-	17,359	-	-	23,799
Depreciation charge	(18,536)	(173,792)	(9,360)	(4,837)	(49,033)	(255,558)
Closing net book amount	203,065	1,099,129	69,062	1,386	1,060,684	2,433,326
At 31 December 2016						
Cost	590,618	4,690,377	422,172	106,737	1,176,700	6,986,604
Accumulated depreciation	(387,553)	(3,591,248)	(353,110)	(105,351)	(116,016)	(4,553,278)
Net book amount	203,065	1,099,129	69,062	1,386	1,060,684	2,433,326
Year ended 31 December 2017						
Opening net book amount	203,065	1,099,129	69,062	1,386	1,060,684	2,433,326
Additions	81	305,295	7,298	17,000	-	329,674
Disposals	-	-	-	-	-	-
Depreciation released on disposals	-	-	-	-	-	-
Depreciation charge	(19,141)	(172,642)	(15,192)	(3,086)	(47,200)	(257,261)
Closing net book amount	184,005	1,231,782	61,168	15,300	1,013,484	2,505,739
At 31 December 2017						
Cost	590,689	4,995,672	429,470	123,737	1,176,700	7,316,278
Accumulated depreciation	(406,694)	(3,763,890)	(368,302)	(108,437)	(163,216)	(4,810,539)
Net book amount	184,005	1,231,782	61,168	15,300	1,013,484	2,505,739

5. Intangible assets

Group

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

Identifiable net assets acquired and liabilities assumed

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

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

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

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

6. Investment in subsidiaries

	Shares in group undertaking €
Group	
At 31 December 2017 and 2016	
Cost and net book amount	2,329

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

	Shares in group undertaking	
Company	2017	2016
	€	€
At 31 December		
Opening cost and net book amount	3,047,000	3,000,000
Additions	-	47,000
Closing cost and net book amount	3,047,000	3,047,000

6. Investment in subsidiaries - continued

The subsidiaries at 31 December 2017 and 2016 are shown below:

Group undertakings	Registered office	Class of shares held	Percentage of shares held	
			2017	2016
JAB Investments Limited	B18, Bulebel Industrial Estate Zejtun, Malta	Ordinary "A" Shares	100%	100%
Eurosupplies Limited	B18, Bulebel Industrial Estate Zejtun, Malta	Ordinary "A" Shares	98%	98%
Elepac Limited	B18, Bulebel Industrial Estate Zejtun, Malta	Ordinary "A" Shares	100%	100%
Meritlink Limited	B18, Bulebel Industrial Estate Zejtun, Malta	Ordinary "A" shares	98%	98%
Proplastik Limited	314, Mdina Road Qormi, Malta	Ordinary "B" Shares	50%	50%
Institute For Professional Development Malta Limited	New Street in Handaq Road, Tal-Handaq, Qormi QRM 4000 Malta	Ordinary Shares	99.8%	99.8%
SolLease Limited	B18, Bulebel Industrial Estate Zejtun, Malta	Ordinary Shares	100%	100%
I.G. Finance plc	B18, Bulebel Industrial Estate Zejtun, Malta	Ordinary Shares	100%	100%

7. Available-for-sale financial assets

Local unquoted shares

Group	Group	
	2017 €	2016 €
Opening balance and net carrying amount	9,477	8,977
Additions	-	500
Closing balance and net carrying amount	9,477	9,477

8. Deferred taxation

Deferred taxes are calculated on temporary differences under the liability method and are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted by the end of the reporting period. The principal tax rate used is 35% (2016: 35%).

The movement on the deferred tax account is as follows:

	Group	
	2017	2016
	€	€
At beginning of the year	121,000	-
Deferred taxes on temporary differences arising on Investment tax credit (Note 22)	221,906	121,000
At end of year	342,906	121,000

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

The balance at 31 December represents:

	Group	
	2017	2016
	€	€
Temporary differences arising on:		
- investments tax credits	805,901	502,106
- provisions and property, plant and equipment	(462,995)	(381,106)

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

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

	Group	
	2017	2016
	€	€
Temporary differences arising on:		
- unabsorbed tax losses and capital allowances	262,136	277,125
- investments tax credits	-	120,711
- provisions and property, plant and equipment	(199,330)	(273,092)

8. Deferred taxation - continued

These give rise to a Group deferred tax asset of €27,868 (2016:€ 122,122) which has not been recognised in these financial statements due to the uncertainty of the realisation of the related tax benefits. Unabsorbed capital allowances are forfeited upon cessation of the trade.

9. Inventories

	Group	
	2017	2016
	€	€
Raw materials, work in progress and finished goods	1,745,571	1,544,435

10. Trade and other receivables

Current	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Amounts owed by group undertakings	-	-	64,768	-
Trade receivables - gross	925,714	648,350	-	-
Provision for impairment	(59,013)	(59,013)	-	-
Trade receivables - net	866,701	589,337	64,768	-
Indirect taxation	7,170	3,463	-	-
Other receivables	85,096	16,211	-	-
Prepayments and accrued income	30,733	25,199	-	-
	989,700	634,210	64,768	-

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

11. Cash and cash equivalents

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

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Cash at bank and in hand	800,466	140,775	4	45
Bank overdraft (Note 14)	(436,300)	(282,032)	-	-
	364,166	(141,257)	4	45

12. Share capital

	Group and Company	
	2017	2016
	€	€
Authorised		
200,000 (2016: 200,000) ordinary shares of €2.50 each	500,000	500,000
Issued and fully paid		
200,000 (2016: 200,000) ordinary shares of €2.50 each	500,000	500,000

13. Reserves

Group	Foreign exchange reserve €	Incentives & benefits reserve €	Total €
At 1 January 2016	5,838	59,611	65,449
Currency translation difference	444	-	444
At 31 December 2016	6,282	59,611	65,893
At 1 January 2017	6,282	59,611	65,893
Currency translation difference	(1,359)	-	(1,359)
At 31 December 2017	4,923	59,611	64,534

14. Borrowings

	Group	
	2017	2016
	€	€
Non-current		
Bank loan	718,965	1,083,746
€3,700,000 5.5% bond 2024 - 2027	3,612,603	-
	4,331,568	1,083,746
Current		
Bank overdraft	436,300	282,032
Bank loan	100,583	267,272
	536,883	549,304

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

14. Borrowings - continued

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

	Group 2017 €	2016 €
Total borrowings at floating rates:		
Bank overdraft	436,300	282,032
Bank loan	983,885	1,351,018

Weighted average effective interest rates:

	Group 2017	2016
Bank overdraft	4.00%	4.00%
Bank loan	5.15%	7.34%

	2017 €	2016 €
Maturity of non-current borrowings		
Between 1 and 2 years	105,755	243,293
Between 2 and 5 years	351,738	444,079
Over 5 years	261,472	396,374
	718,965	1,083,746

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

	2017 €	2016 €
Face value		
3,700,000 5.5% bonds 2024 - 2027	3,700,000	-
Issue costs	93,640	-
Accumulated amortisation	(6,243)	-
Closing net book amount	87,397	-
Amortised cost at 31 December	3,612,603	-

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

	2017 €	2016 €
Total borrowings:		
At fixed rates	3,612,603	-

15. Trade and other payables

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Current				
Trade payables	850,763	1,228,147	-	-
Other taxes and social security	40,176	1,327,361	-	-
Accruals and deferred income	221,569	104,331	3,000	1,500
Amounts owed to group undertakings	-	-	2,497,575	2,253,022
Amounts owed to shareholders	102,459	284,350	102,459	284,350
Other payables	37,650	71,477	4,655	4,589
	1,252,617	3,015,666	2,607,689	2,543,461

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Non-current				
Trade payables	199,276	728,661	-	-
Deferred income	124,385	148,342	-	-
	323,661	877,003	-	-

16. Revenue

	Group	
	2017	2016
	€	€
By geographical segment		
Europe	4,040,309	4,239,425
Non-Europe	2,092,657	1,346,049
	6,132,966	5,585,474

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

17. Expenses by nature

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Raw materials and consumables used	2,893,115	2,601,088	-	-
Employee benefit expenses (Note 18)	1,465,950	1,183,339	-	-
Depreciation (Note 4)	257,261	255,558	-	-
Loss on exchange	33,170	124,624	-	-
Other expenses	752,675	866,687	4,501	2,758
Total cost of sales and administrative expenses	5,402,171	5,031,296	4,501	2,758

The following items of an unusual nature, size and incidence have been charged to operating profit within administrative expenses during the year:

	2017	2016
	€	€
Non-recurring items	-	164,762

Auditor's fees

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

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Annual statutory audit	17,500	10,400	2,050	1,500
Tax advisory and compliance services	4,396	4,410	275	275
Other non-audit services	937	810	130	900
	22,833	15,620	2,455	2,675

18. Employee benefit expenses

Employee benefit expenses for the year comprise:

	Group	
	2017	2016
	€	€
Wages and salaries	1,383,582	1,111,431
Social security costs	82,368	71,908
	1,465,950	1,183,339

18. Employee benefit expenses - continued

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

	Group	
	2017	2016
Direct	72	66
Administration	3	4
	75	70

19. Directors' emoluments

	Group	
	2017	2016
	€	€
Salaries and other emoluments	26,704	33,547

20. Investment income

	Company	
	2017	2016
	€	€
Income from shares in subsidiary undertakings	430,000	399,000

21. Finance costs

	Group	
	2017	2016
	€	€
Interest payable to bond holders	139,039	-
Interest on bond loans and overdrafts	1,448	157,449
Other finance charges	17,502	24,948
Amortisation of bond issue costs	6,243	-
	161,232	182,397

22. Tax credit

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Current tax credit	-	288	-	-
Deferred tax credit (Note 8)	221,906	121,000	-	-
	221,906	121,288	-	-

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

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Profit before tax	795,731	483,368	425,499	396,242
Tax at 35%	278,506	169,179	148,925	138,685
Non temporary differences	2,502	62,725	(148,925)	(138,685)
Unrecognised temporary differences	(405,997)	(231,907)	-	-
Income not subject to tax	(96,632)	(120,997)	-	-
Overprovision from prior year	(285)	(288)	-	-
	(221,906)	(121,288)	-	-

23. Cash generated from/(used in) operations

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

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Operating profit/(loss)	956,963	665,765	(4,501)	(2,758)
Adjustments for:				
Depreciation (Note 4)	257,261	255,558	-	-
Disposal of property, plant and equipment	-	(3,205)	-	-
Amortisation of bond issue costs	6,243	-	-	-
Changes in working capital:				
Inventories	(201,136)	(143,428)	-	-
Trade and other receivables	(355,490)	242,864	-	-
Trade and other payables	(2,134,500)	232,586	1,567	(714)
Currency translation difference	(1,359)	444	-	-
Cash generated from/(used in) operations	(1,472,018)	1,250,584	(2,934)	(3,472)

24. Related party transactions

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

The following significant transaction were carried out with related parties:

	2017	2016
	€	€
Investment income	430,000	399,000

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

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

25. Statutory information

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