Company Registration No. C 27140

LOQUS HOLDINGS P.L.C.

Annual Report
and
Financial Statements

30 June 2016

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CHAIRMAN'S STATEMENT

Dear Shareholder,

It gives me great satisfaction to report that 2016 has seen the Group move forward steadily. Continuing the momentum of our results in fiscal 2014/2015 Loqus has welcomed fiscal 2015/2016 with a profit before tax of EUR268k.

The restructuring period is over and we will now focus our attention on managing our growth. In financial year 2014/2015, we reported break-even for the first time in a long time. That was still no reason for celebration but the break-even was an initial success. The aim was to adapt the Group's structures to the new strategy and to lower the cost base accordingly. Human resources are a key driver of the Group's growth, and we will be progressively increasing our emphasis on fostering human resource development.

It gives me great pleasure to publish this report, which shows that our achievements have fully manifested our continuous commitment to strive for sustainable growth. These results are a great encouragement to motivate us to attain even better performance and continue our efforts to generate returns for shareholders. We will continue to build on our operational performance improvement by managing our cost base.

The Board has continued to focus upon achieving and accepting the best possible transaction for our Fleet business and IPR. Considerable progress has been registered with the signing of the MOU with a potential partner. There is always inherent uncertainty as to whether a sale will actually materialise as we work on a deal that will maximise shareholder value.

I would like to welcome Ms Alison Attard to the Board and thank her for her excellent technical input into our Audit committee. Special thanks are directed, to all our employees ably led by Joe Fenech Conti and the management team, for their hard work and commitment, and to my fellow directors and audit committee for their sterling work.

WALTER BONNICI
Group Chairman

21 October 2016

GROUP CHIEF EXECUTIVE OFFICER'S REVIEW

Dear Shareholder,

This financial year was a crucial year as we restored growth and improved profitability. Following the Group restructuring, it was vital to improve our performance in 2015/2016, giving our customers the product and service innovation they expect. Loqus continued to reap the benefits from cost-cutting initiatives.

CORPORATE STRATEGY

Our industry is currently experiencing a high degree of consolidation with a number of mergers and acquisitions by key players. During the year the management team continued working to reach the best deal which maximises value for our fleet management business. To date we continue assessing offers, which confirm that the value we have set for Fleet is considered to be fair, demand for our products is sustainable and that our technological platforms are considered to be of a high standard.

Our vision is based on the commitment to building long-term relationships with our clients and business partners by offering innovative and competitive services and solutions. Strong and sustainable partnerships allow us to continue adding value to us and our partners and most importantly our customers. Loqus has worked to develop key partnerships with some of the leading IT suppliers and solution providers in our domain worldwide. Loqus has its first fleet solutions partner in Australasia; ACS Limited based in New Zealand, a specialised OEM supplier of Electronic and Electro/Mechanical products into the Automotive Manufacturing/CKD Assembly Industry since 1992. Through ACS Limited we have already registered a first customer who is a major player in the automotive industry. Through our partnership with Peak-Ryzex we have just signed an important fleet management contract with a major UK high street retailer.

Loqus continues to build on innovative systems that we have developed and marketed while investigating new and viable ways of working across our target business areas to deliver solutions that make a difference. Ongoing technology improvements have allowed us to strengthen our product line in order to ensure that Loqus retains and improves its market position. In this period we launched the development of the next generation fleet management tools. This product range has been designed to be highly dynamic and was built on the latest open standards. One of the key objectives of this generation of tools is to give our customers and partners the ability to build, modify and manage fleet management through easy to use and intuitive interfaces removing our dependency on technical resources for implementation. This will enable our partners to leverage our technology and help us increase our market share.

Loqus' Public Sector division has continued to move ahead with government projects and has finally registered operating profit after a long period of losses. Government projects, which initially pose a negative impact on our cash flow, have started to mature and as our direct costs and personnel expenses will start decreasing are starting to contribute to Loqus' profitability.

Human resources have become a major challenge in our industry and the Group is aggressively working at attracting, developing and retaining the best of local IT resources. We are also actively recruiting foreign employees in order to handle the need for IT related skills. We believe that a diverse workforce that blends different cultural backgrounds and work experiences is an important success factor. We actively manage diversity and have made significant progress over the past years. As a company we are committed to Corporate Social Responsibility especially Diversity and Inclusion. We actively seek to promote the role of women within our management teams and provide a family friendly work environment.

GROUP OPERATIONAL PERFORMANCE

The Group has continued to deliver on its financial plan and has registered a significant improvement in its operating performance achieving a profit for the year of EUR268,549, compared to EUR55,815 in the prior year.

	2016 EUR	2015 EUR	2014 EUR
FINANCIAL			
Revenue	3,893,957	4,181,363	3,527,989
Operating profit	1,188,301	1,038,106	936,143
EBITDA	690,323	334,232	369,496
Profit/(loss) for the year	268,549	55,815	(247,225)
EBITDA % of revenue	18%	8%	10%
Profit for the year (% of revenue)	7%	1%	(7)
LIQUIDITY			
Cash generated from operations	416,826	693,714	566,480
Net cash	106,357	108,429	(60,901)
NUMBER OF EMPLOYEES	79	80	77

Revenue stood at EUR3.8million, compared to the EUR4.1million in the prior year. This EUR0.3million decrease in revenue was mainly due to one-time low margin hardware sales in the prior year. During the year, we experienced top-line challenges, most notably in our fleet business due to the loss of one of our major UK clients as well as reduced spending by our large Italian customers due to economic pressures.

We were largely able to mitigate the impact of the decrease in revenue through direct cost reduction. Direct costs have decreased by EUR0.4million from EUR1.1million to EUR0.7million, ahead of the revenue drop. Profitability also increased due to the reductions in personnel costs. The combined effect of these changes resulted in an increase in EBITDA of EUR0.4million from EUR0.3million to EUR0.7million.

The Group registered an increase in profitability from EUR56k to EUR269k, a substantial improvement of EUR213k.

The Group continued to increase its asset base through the research and development of new IPR which went from EUR5.4 million to EUR5.7 million an increase of EUR0.3million.

Our cash flow from operations registered a drop of EUR 300k due to an accounting adjustment relating to a contingent liability reported in the prior period. Our net cash position remains the same as the previous period at EUR106k.

CAPITAL REQUIREMENTS

The Group continues to face the important challenge of maintaining a positive cash flow. The Group has a clear financial framework and remains highly disciplined to continue to increase working capital in order to reduce its exposure in terms of borrowings. Our priority for the coming years is to ensure that we keep with the Group's scheduled repayment programmes relating to taxes and social security contributions.

MARKETING EFFORTS

During the year under review the Group has invested further in marketing personnel and activity under the able hands of Roland Scerri our Deputy CEO. The contracts signed and the increase in our sales pipelines is a direct result of this work. Loqus was also present in a number of fairs in order to showcase our products, including the LogiMAT and the Insight.

FORWARD-LOOKING STRATEGY

This report outlines the accomplishments that we managed to attain in 2016. The positive performance, in itself, shows that objectives set are being achieved, however it is impossible to do justice to all work and extensive effort involved in order to achieve such results. We will continue to press ahead with the Group's strategy to achieve profitability. The results we are reporting continue to motivate us and as we move forward through 2017, we will continue to focus on holding or improving margins in a challenging top-line environment.

The Group will remain strongly committed to improve performance and capture higher growth, focusing ever more closely on customers' needs, driving new ways to innovate and leveraging partnerships, embracing digital technology, and relentlessly driving a mindset of continuous improvement and operational excellence.

On behalf of my fellow board members, I would like to thank our customers, shareholders and other stakeholders for their continued support. I also want to thank all our employees for their dedication and effort this past year.

JOE FENECH CONTI
Group Chief Executive Officer

21 October 2016

GENERAL INFORMATION

Company registration

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

Directors

Walter Bonnici (Chairman)
Joseph Fenech Conti (Chief Executive Officer)
Anthony P Demajo
Joseph Roland Scerri
Anthony Bailey
Alison Attard (appointed on 17 December 2015)
Albert DeBono (resigned on 10 September 2015)

Company secretary

Adrian Mallia

Registered office

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

Bankers

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

Auditors

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

DIRECTORS' REPORT

The Directors submit their report together with the audited financial statements for the year ended 30 June 2016.

Principal activities

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

Dividends

The Directors did not propose the payment of dividend.

Review of the business

The Group registered a profit before the effect of taxation amounting to EUR268,549 (2015: EUR55,815). Further information about the results of the Group is provided in the statement of comprehensive income on page 14.

The Company registered a profit before the effect of taxation of EUR923,733 (2015 loss: EUR71,087). Further information about the results of the Company is provided in the statement of comprehensive income on page 19.

The year under review improved both financially and strategically and the Group will continue to press ahead with its strategy to further improve the Group's profitability. The Group is reporting a profit for the second year running.

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

Directors

The Directors of the Company who held office during the year ended 30 June 2016 were those listed in the General Information.

Statement of Directors' responsibilities

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

DIRECTORS' REPORT – continued

Statement of Directors' responsibilities – continued

The Directors are responsible for ensuring that:

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

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

Auditors

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

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

WALTER BONNICI
Chairman

JOSEPH FENECH CONTI
Director

21 October 2016

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

Introduction

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

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

General

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

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

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

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

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

Compliance with the Code

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

Principle 1 – The Board

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

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

Compliance with the Code – continued

Principle 1 – The Board – continued

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

Principle 2 – Chairman and CEO

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

Principle 3 – Composition of the Board

During the period under review, three (3) Non-Executive Directors and three (3) Executive Directors served as Directors of the Company. The Company's organisational structure contemplates the role of a Chief Executive Officer (the "CEO"), a position which is occupied by Mr Joseph Fenech Conti, who is an Executive Director having a seat on the Board of Directors. The Company's CEO is currently a member of the Board and attends Board Meetings in such capacity whilst other Executives attend when necessary and upon invitation of the Directors. The presence of the CEO assures that the Directors have direct access at meetings of Directors to the person having the prime responsibility for day to day operations of the Company and the implementation of polices that allows effective discussion and the availability of all the information necessary to carry out their functions in the best possible manner. In this respect, the Directors feel that the principle set forth in the Code is substantively met by means of this arrangement which allows the interaction of Non-Executive Directors and Executives.

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

Directors	Date of first appointment	Meetings attended
Mr Walter Bonnici – Chairman	23 October 2000	6
Mr Joseph Fenech Conti	7 August 2008	6
Mr Anthony P Demajo	29 July 2005	6
Mr Roland Scerri	24 April 2012	6
Mr Anthony Bailey	3 December 2012	6
Ms Alison Attard*	17 December 2015	3
Mr Albert DeBono**	26 August 2013	1

* appointed on 17 December 2015
** resigned on 10 September 2015

The meetings held during 2015 and 2016 were attended either personally or by means of an alternate.

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

Compliance with the Code – continued

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

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

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

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

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

Principle 4 – Board Responsibility

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

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

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

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

Compliance with the Code – continued

Principle 4 – Board Responsibility – continued

The Audit Committee was, during the period under review, composed of Mr Anthony P. Demajo (Chairman of the committee and Non-Executive Director of the Company), Ms Alison Attard (Non-Executive Director of the Company), and Mr Anthony Bailey (Executive Director of the Company). Ms Alison Attard was appointed to replace Mr Albert DeBono, who resigned on the 10 September 2015.

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

Principle 5 – Board Meetings

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

Principle 6 – Information and Professional Development

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

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

Principle 7 – Evaluation of Board's Performance

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

Principle 8 – Committees

In previous years the Board had considered the appointment of a remuneration committee. In view of the limited size of the Company, it was deemed not necessary to have a permanent remuneration committee in place.

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

Principles 9 and 10 – Relations with Shareholders and the Market

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

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

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

Compliance with the Code – continued

Principle 11 – Conflict of Interest

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

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

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

	Number of shares
Mr Anthony P. Demajo	1,350,750
Mr Joseph Roland Scerri	5,556
Mr Anthony Bailey	2,000
Mr Albert DeBono (resigned on 10 September 2015)	NIL
Ms Alison Attard (appointed on 17 December 2015)	NIL

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

Principle 12 – Corporate Social Responsibility

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

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

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

Non-compliance with the Code Provisions

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

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

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

Non-compliance with the Code Provisions – continued

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

Internal Control

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

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

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

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

Internal Control – continued

Organisation

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

Risk identification

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

General Meetings

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

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

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

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

Further Information

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

Directors of the Group	EUR64,664
Directors of the Company	EUR40,664

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

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

Board of Directors

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

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

Further Information – continued

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

Control environment

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

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

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

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

Dealings by Directors and Senior Officers

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

Going concern

In accordance with Listing Rule 5.62, the Directors have considered the Company's operating performance, the statement of financial position at year end, and they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, in preparing the financial statements, they continue to adopt the going concern basis in preparing the financial statements set out on pages 14 to 56. Note 2 to the financial statements, details the going concern assessment.

Approved by the Board of Directors on 21 October 2016 and signed on its behalf by:

WALTER BONNICI
Chairman

JOSEPH FENECH CONTI
Director

MAZARS

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

LOQUS HOLDINGS P.L.C.

Report on the financial statements

We have audited the accompanying financial statements of Loqus Holdings plc and its group set out on pages 14 to 57 which comprise the statements of financial position of the company and the group as at 30 June 2016, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

As described on pages 2 to 3, the directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Companies Act Cap 386 of the Laws of Malta, for such internal controls as the directors determine to be necessary to enable the presentation of the financial statements that are free from material misstatements whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the company's preparation and fair presentation of the financial statements 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 internal control of the company and the group. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements give a true and fair view of the financial position of Loqus Holdings p.l.c and its group as at 30 June 2016 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union and have been properly prepared in accordance with the requirements of the Companies Act (Cap. 386).

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Mazars Malta
Certified Public Accountants
VAT Reg No. MT15296002

MAZARS

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

LOQUS HOLDINGS P.L.C. – continued

Report on other Legal and Regulatory Requirements

The Listing Rules issued by the Malta Listing Authority 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 through the accounting period with those Principles.

The Listing 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 became aware of any apparent misstatements or material inconsistencies with the financial statements included in the Annual Report. Our responsibilities do not extend to considering whether this statement is consistent with any other information included in the Annual Report.

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

In our opinion, the Statement of Compliance set out on pages 4 to 11 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.

Matters on which we are required to report by exception

We also have responsibilities under:

- The Companies Act, 1995 Cap 386 of the laws of Malta, to report to you if, in our opinion:

    - The information given in the Directors' report is not consistent with the financial statements
    - Adequate accounting records have not been kept
    - The financial statements are not in agreement with the accounting records
    - 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.

- The Listing Rules to review the statement made by the Directors that the business is a going concern together with the supporting assumptions or qualifications as necessary.

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

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

Certified Public Accountants
Attard
Malta

21 October 2016

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Mazars Malta
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STATEMENT OF COMPREHENSIVE INCOME – Group
for the year ended 30 June 2016

	Notes	2016 EUR	2015 EUR
Revenue	3	**3,893,957**	4,181,363
Purchases and other directly attributable costs	3	**(723,097)**	(1,130,802)
Personnel expenses	3, 4	**(1,982,559)**	(2,012,184)
Professional and consultancy fees		**(92,929)**	(99,413)
Travelling and accommodation		**(108,436)**	(92,586)
Marketing expenses		**(63,609)**	(65,298)
Other administrative expenses	5	**(233,004)**	(446,848)
Operating profit before depreciation and amortisation		**690,323**	334,232
Depreciation amortisation and impairment	3, 8, 9	**(280,002)**	(276,760)
Finance costs	3	**(141,772)**	(1,657)
Profit before tax		**268,549**	55,815
Income tax expense	6	**(1,847)**	-
Profit for the year		**266,702**	55,815
Other comprehensive income		**-**	-
Total comprehensive income for the year net of tax		**266,702**	55,815
Attributable to:			
Owners of the parent		**266,702**	55,815
Non-controlling interest		**-**	-
		266,702	55,815
Profit per share - basic	7.1	**0c8**	0c2

The accounting policies and explanatory notes on pages 23 to 56 form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION – Group
as at 30 June 2016

	Notes	2016	2015
		EUR	EUR
ASSETS			
Non-current assets			
Property, plant and equipment	8	**91,649**	96,990
Intangible assets	9	**5,263,853**	5,220,798
		5,355,502	5,317,788
Current assets			
Inventories	13	**25,775**	27,269
Trade and other receivables	14	**1,904,069**	2,265,788
Cash at bank	18	**290,864**	267,752
		2,220,708	2,560,809
TOTAL ASSETS		**7,576,210**	7,878,597

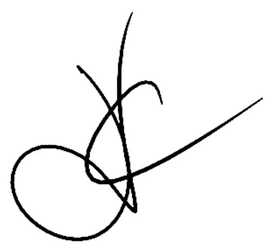
The accounting policies and explanatory notes on pages 23 to 56 form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION – Group
as at 30 June 2016

	Notes	2016 EUR	2015 EUR
EQUITY AND LIABILITIES			
Equity			
Issued capital	15.1	**7,430,457**	7,430,457
Share premium	15.2	**847,101**	847,101
Capital redemption reserve	15.3	**121,554**	121,554
Accumulated losses		**(7,042,800)**	(7,309,502)
Equity attributable to owners of the parent		**1,356,312**	1,089,610
Non-controlling interest		-	-
Total equity		**1,356,312**	1,089,610
Non-current liabilities			
Interest bearing loans and borrowings	16	**674,092**	465,305
Current liabilities			
Interest bearing loans and borrowings	16	**426,760**	646,979
Trade and other payables	17	**5,117,199**	5,676,703
Taxation		**1,847**	-
		5,545,806	6,323,682
Total liabilities		**6,219,898**	6,788,987
TOTAL EQUITY AND LIABILITIES		**7,576,210**	7,878,597

The accounting policies and explanatory notes on pages 23 to 56 form an integral part of the financial statements.

The financial statements on pages 14 to 56 have been authorised for issue by the Board of Directors on 21 October 2016 and were signed on its behalf by:



WALTER BONNICI
Chairman

JOSEPH FENECH CONTI
Director

STATEMENT OF CHANGES IN EQUITY – Group
for the year ended 30 June 2016

	Attributable to equity holders of the parent						
	Issued capital EUR	Share premium EUR	Capital redemption reserve EUR	Accumulated losses EUR	Total EUR	Non-controlling interest EUR	Total equity EUR
FOR THE YEAR ENDED 30 June 2015							
At 1 July 2014	7,430,457	847,101	121,554	(7,365,317)	**1,033,795**	-	**1,033,795**
Profit for the year	-	-	-	55,815	**55,815**	-	**55,815**
Other comprehensive income	-	-	-	-	-	-	**-**
Total comprehensive expense	-	-	-	55,815	**55,815**	-	**55,815**
At 30 June 2015	**7,430,457**	**847,101**	**121,554**	**(7,309,502)**	**1,089,610**	**-**	**1,089,610**
FOR THE YEAR ENDED 30 June 2016							
At 1 July 2015	7,430,457	847,101	121,554	(7,309,502)	**1,089,610**	-	**1,089,610**
Profit for the year	-	-	-	266,702	**266,702**	-	**266,702**
Other comprehensive income	-	-	-	-	**-**	-	**-**
Total comprehensive income	-	-	-	266,702	**266,702**	-	**266,702**
At 30 June 2016	**7,430,457**	**847,101**	**121,554**	**(7,042,800)**	**1,356,312**	**-**	**1,356,312**

The accounting policies and explanatory notes on pages 23 to 56 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS – Group
for the year ended 30 June 2016

	Notes	2016 EUR	2015 EUR
Operating activities			
Profit before tax		**268,549**	55,815
Non-cash adjustment to reconcile loss before tax to net cash flows:			
Profit on sale of property, plant and equipment		**(100)**	(5,572)
Depreciation and amortisation	8, 9	**280,002**	276,760
Provision for impairment of receivables	14	**(43,287)**	49,626
Write-off of receivables	5	**683**	7,719
Interest expense		**141,772**	1,657
Interest income		**-**	-
Provision for currency exchange differences	5	**-**	7,385
Provision for obsolete inventory		**-**	(5,388)
Working capital adjustments:			
Movement in inventories		**1,485**	4,210
Movement in trade and other receivables		**404,332**	(6,961)
Movement in trade and other payables		**(615,692)**	345,372
		437,744	730,623
Interest paid		**(20,918)**	(36,909)
Interest received		**-**	-
Income tax paid	6	**-**	-
Net cash flows generated from operating activities		**416,826**	693,714
Investing activities			
Proceeds from sale of property, plant and equipment		**100**	7,068
Payment to acquire property, plant and equipment	8	**(22,684)**	(15,260)
Payments to acquire intangible assets	9	**(295,032)**	(296,165)
Payment to acquire subsidiary		**-**	-
Payment to acquire investment		**-**	-
Net cash flows used in investing activities		**(317,616)**	(304,357)
Financing activities			
Repayment of interest-bearing borrowings		**(101,282)**	(220,027)
Net cash flows used in financing activities		**(101,282)**	(220,027)
Net movement in cash and cash equivalents		**(2,072)**	169,330
Cash and cash equivalents at beginning of year		**108,429**	(60,901)
Cash and cash equivalents at end of year	18	**106,357**	108,429

The accounting policies and explanatory notes on pages 23 to 56 form an integral part of the financial statements.

STATEMENT OF COMPREHENSIVE INCOME – Company
for the year ended 30 June 2016

	Notes	2016 EUR	2015 EUR
Revenue		**992,000**	-
Personnel expenses	4	**(45,442)**	(47,000)
Professional and consultancy fees		**(1,710)**	(1,740)
Other administrative expenses	5	**(20,806)**	(22,094)
Operating profit/(loss)		**924,042**	(70,834)
Finance income		**87,442**	93,849
Finance costs		**(87,751)**	(94,102)
Profit/(loss) before tax		**923,733**	(71,087)
Income tax credit	6	**-**	-
Profit/(loss) for the year		**923,733**	(71,087)
Other comprehensive income		**-**	-
Total comprehensive income/(expense) for the year net of tax		**923,733**	(71,087)
Profit/(loss) per share - basic	7.1	**2c9**	(0c2)

The accounting policies and explanatory notes on pages 23 to 56 form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION – Company
as at 30 June 2016

	Notes	2016 EUR	2015 EUR
ASSETS			
Non-current assets			
Investment in subsidiaries	10	**9,657,035**	9,657,035
Current assets			
Trade and other receivables	14	**8,101**	8,105
Cash at bank and in hand	18	**170**	111
		8,271	8,216
TOTAL ASSETS		**9,665,306**	9,665,251
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	15.1	**7,430,457**	7,430,457
Share premium	15.2	**847,101**	847,101
Accumulated losses		**404,451**	(519,282)
		8,682,009	7,758,276
Non-current liabilities			
Interest bearing loans and borrowings	16	**674,092**	465,305
Current liabilities			
Interest bearing loans and borrowings	16	**242,253**	466,396
Trade and other payables	17	**66,952**	975,274
		309,205	1,441,670
Total liabilities		**983,297**	1,906,975
TOTAL EQUITY AND LIABILITIES		**9,665,306**	9,665,251

The accounting policies and explanatory notes on pages 23 to 56 form an integral part of the financial statements.

The financial statements on pages 14 to 56 have been authorised for issue by the Board of Directors on 21 October 2016 and were signed on its behalf by:

WALTER BONNICI
Chairman

JOSEPH FENECH CONTI
Director

STATEMENT OF CHANGES IN EQUITY – Company
for the year ended 30 June 2016

	Issued capital EUR	Share premium EUR	Accumulated losses EUR	Total EUR
FOR THE YEAR ENDED 30 JUNE 2015				
At 1 July 2014	7,430,457	847,101	(448,195)	**7,829,363**
Loss for the year	-	-	(71,087)	**(71,087)**
Other comprehensive income	-	-	-	**-**
Total comprehensive expense	**-**	**-**	(71,087)	**(71,087)**
At 30 June 2015	**7,430,457**	**847,101**	**(519,282)**	**7,758,276**
FOR THE YEAR ENDED 30 JUNE 2016				
At 1 July 2015	7,430,457	847,101	(519,282)	**7,758,276**
Profit for the year	-	-	923,733	**923,733**
Other comprehensive income	-	-	-	**-**
Total comprehensive expense	-	-	923,733	**923,733**
At 30 June 2016	**7,430,457**	**847,101**	**404,451**	**8,682,009**

The accounting policies and explanatory notes on pages 23 to 56 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS – Company
for the year ended 30 June 2016

	Notes	2016 EUR	2015 EUR
Operating activities			
Profit/(loss) before tax		**923,733**	(71,087)
Non-cash adjustment to reconcile profit/(loss) before tax to net cash flows:			
Finance cost		**87,751**	94,025
Finance income		**(87,442)**	(93,849)
Working capital adjustments:			
Movement in trade and other receivables		**-**	**-**
Movement in trade and other payables		**(831,776)**	258,921
		92,266	188,010
Interest paid		**(12,184)**	(9,003)
Net cash flows generated from operating activities		**80,082**	179,007
Financing activities			
Repayment of amounts due to related parties		**(80,023)**	(179,622)
Net cash flows used in financing activities		**(80,023)**	(179,622)
Net movement in cash and cash equivalents		**59**	(615)
Cash and cash equivalents at beginning of year		**111**	726
Cash and cash equivalents at end of year	18	**170**	111

The accounting policies and explanatory notes on pages 23 to 56 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Loqus Holdings p.l.c (the "Company") is a public liability company, incorporated in Malta on 23 October 2000. The consolidated financial statements of the Company for the year ended 30 June 2016 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in an associated company. The Group is primarily involved in the provision of fleet management, back-office processing and ICT solutions.

2.1 BASIS OF PREPARATION

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

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

Going Concern

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

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

2.2 BASIS OF CONSOLIDATION

Basis of consolidation from 1 July 2009

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2016.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS – continued

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

The Group and the Company have adopted the following new and amended IFRS and IFRIC interpretations as of 1 July 2015:

- Amendments to IAS 19 - Defined benefit plans: Employee contributions (effective from 1 February 2015).
- The Group and the Company do not make contributions to a defined benefit plan.
- Annual improvements to IFRSs 2010-2012 cycle (effective from 1 February 2015).
- Annual improvements to IFRSs 2011-2013 cycle (effective from 1 January 2015).

The adoption of the above new and amended standards and IFRIC interpretations did not have an impact on the financial position or performance of the Group/Company.

Standards, interpretations and amendments to published standards as adopted by the EU that are not yet effective up to 30 June 2016:

Up to the financial position date, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective for the current reporting period and which the Group has not yet adopted. None of the below mentioned standards is expected to have a material impact on the Group's financial position and performance. These are as follows:

- IFRIC 19: (Amendments arising from IFRS9) – Extinguishing Financial Liabilities with Equity Instruments (effective on adoption of IFRS 9)
- IAS 1 Amendments – Disclosure Initiative (effective from 1 January 2016)
- Annual Improvements to IFRSs 2012 – 2014 Cycle (effective from 1 January 2016)
- IAS 27 Amendments – Equity Method in Separate Financial Statements (effective from 1 January 2016)
- IAS 16 and IAS 41 Amendments – Bearer Plants (effective from 1 January 2016)
- IAS 16 and IAS 38 Amendments – Clarification of Acceptable Methods of Depreciation and Amortisation (effective from 1 January 2016)
- IFRS 11 Amendments – Accounting for Acquisition of interest in Joint Operations (effective from 1 January 2016)

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

- IFRS 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 16 - Leases
- IFRS 10 and IAS 28 Amendments – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

NOTES TO THE FINANCIAL STATEMENTS – continued

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES – continued

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

- IFRS 10, IFRS 12 and IAS 28 Amendments – Investment Entities: Applying the Consolidation Exemption (endorsed on 21 October 2016, effective from 1 January 2016)
- Clarification to IFRS 15 – Revenue from Contracts with Customers
- Amendments to IFRS 2 – Classification and Measurement of Share Based Payment Transactions
- Amendments to IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The group is presently assessing the impact of IFRS 15.

The Directors are assessing the impact that the adoption of other Financial Reporting Standards will have in the financial statements of the Company in the period of initial application.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Foreign currency translation

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

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

Revenue recognition

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

NOTES TO THE FINANCIAL STATEMENTS – continued

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue recognition – continued

Sale of goods

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

Revenue from services rendered

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

Interest income

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

Dividend income

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

Taxes

Current tax

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

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

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

NOTES TO THE FINANCIAL STATEMENTS – continued

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Taxes – continued

Deferred income tax – continued

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

VAT

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

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

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

The net amount of sales tax/value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Government grants

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

Employee benefits

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

Borrowing costs

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

NOTES TO THE FINANCIAL STATEMENTS – continued

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Property, plant and equipment

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

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

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

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

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

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

Leased assets

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

NOTES TO THE FINANCIAL STATEMENTS – continued

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the statement of comprehensive income. Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group/Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

Group as a lessor

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

Intangible assets

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS – continued

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Goodwill

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

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

Research and development

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

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

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

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

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

Inventories

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

NOTES TO THE FINANCIAL STATEMENTS – continued

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Impairment of assets

Financial assets

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

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

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

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

Non-financial assets

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

NOTES TO THE FINANCIAL STATEMENTS – continued

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Impairment of assets – continued

Non-financial assets – continued

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

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

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

Goodwill

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

Intangible assets

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

Investment in associate

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

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

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

NOTES TO THE FINANCIAL STATEMENTS – continued

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Investment in associate – continued

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

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

Investment in subsidiaries

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

Trade and other receivables

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

Cash and cash equivalents

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

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

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

Trade and other payables

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

Interest-bearing loans and borrowings

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

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

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

NOTES TO THE FINANCIAL STATEMENTS – continued

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Derecognition of financial assets and financial liabilities

Financial assets

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

- the rights to receive cash flows from the asset have expired; or
- the Group/Company has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Financial liabilities

A financial liability is derecognised when the obligation under the liability is either discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

Unrealised profits

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

Earnings per share

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

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

NOTES TO THE FINANCIAL STATEMENTS – continued

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In preparing the financial statements, management is required to make judgements, estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the financial statements. These estimates are reviewed on a regular basis and if a change is needed, it is accounted in the year the changes become known. The most significant judgements and estimates are as follows:

Impairment of non-financial assets

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

Going concern

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

Development costs

Development costs are capitalised in accordance with the accounting policy in note 2.4. Initial capitalisation of costs is based on management's judgement that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected year of benefits. At 30 June 2016, the carrying amount of capitalised development costs was EUR835,931 (2015: EUR788,494).

In the opinion of management, except for the above, the accounting estimates, assumptions and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised) 'Presentation of financial statements'.

NOTES TO THE FINANCIAL STATEMENTS – continued

3. SEGMENT INFORMATION

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

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

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

Group

2016	**Fleet management**	**Original Equipment Manufacturers**	**Back office processing**	**Projects**	**Consolidated**
	EUR	**EUR**	**EUR**	**EUR**	**EUR**
Revenue	965,445	248,581	1,856,839	823,092	**3,893,957**
Purchases and other directly attributable costs	(174,568)	(30,633)	(278,993)	(238,903)	**(723,097)**
Personnel expenses	(348,150)	(28,710)	(1,213,057)	(392,642)	**(1,982,559)**
Other expenses	(146,135)	(31,114)	(190,316)	(130,413)	**(497,978)**
Operating profit/(loss) before depreciation and amortisation	296,592	158,124	174,473	61,134	**690,323**
Depreciation and amortisation	(115,885)	(40,445)	(49,976)	(73,696)	**(280,002)**
Finance income	-	-	-	-	**-**
Finance cost	(29,368)	(7,562)	(71,270)	(33,572)	**(141,772)**
Profit/(loss) before tax	**151,339**	**110,117**	**53,227**	**(46,134)**	**268,549**

NOTES TO THE FINANCIAL STATEMENTS – continued

3. SEGMENT INFORMATION – continued

2015	Fleet management	Original Equipment Manufacturers	Back office processing	Projects	Consolidated
	EUR	EUR	EUR	EUR	EUR
Revenue	1,326,396	345,529	1,576,891	932,547	4,181,363
Purchases and other directly attributable costs	(215,104)	(20,402)	(188,458)	(706,838)	(1,130,802)
Personnel expenses	(488,115)	(41,858)	(977,929)	(504,282)	(2,012,184)
Other expenses	(190,666)	(39,151)	(224,605)	(249,723)	(704,145)
Operating profit/(loss) before depreciation and amortisation	432,511	244,118	185,899	(528,296)	334,232
Depreciation and amortisation	(121,130)	(38,767)	(39,279)	(77,584)	(276,760)
Finance income	-	-	-	-	-
Finance cost	(313)	(81)	(734)	(529)	(1,657)
Profit/(loss) before tax	**311,068**	**205,270**	**145,886**	**(606,409)**	**55,815**

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

Revenue by geographical markets	**Local**	**Europe**	**Middle East & South Africa**	**Australasia**	**Total**
	EUR	**EUR**	**EUR**	**EUR**	**EUR**
2016	**3,070,180**	**736,748**	**77,976**	**9,053**	**3,893,957**
2015	2,942,340	1,069,464	169,559	-	4,181,363

NOTES TO THE FINANCIAL STATEMENTS – continued

4. PERSONNEL EXPENSES

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

	Group		Company	
	2016	2015	**2016**	2015
	EUR	EUR	**EUR**	EUR
Directors' emoluments	**64,664**	66,000	**40,664**	42,000
Wages and salaries	**2,112,658**	2,135,711	**4,778**	5,000
Social security defined contribution costs	**100,269**	106,638	**-**	-
	2,277,591	2,308,349	**45,442**	47,000
Capitalised labour costs (note 9)	**(295,032)**	(296,165)	**-**	-
Total personnel expenses	**1,982,559**	2,012,184	**45,442**	47,000

Social security defined contribution costs relating to Directors amount to EUR6,050 (2015: EUR5,920).

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

The average number of persons employed by the Group/Company during the years ended 30 June 2016 and 2015, was as follows:

	Group		Company	
	2016	2015	**2016**	2015
	No.	No.	**No.**	No.
Operating	**63**	64	**-**	-
Administration	**16**	16	**-**	-
	79	80	**-**	-

NOTES TO THE FINANCIAL STATEMENTS – continued

5. OTHER ADMINISTRATIVE EXPENSES

	Group		Company	
	2016	2015	**2016**	2015
	EUR	EUR	**EUR**	EUR
Auditor's remuneration	**23,911**	25,624	**2,721**	2,773
Bank charges	**6,231**	6,856	**45**	-
Creditors Write-Off	**(35,855)**	-	**-**	-
Fuel and Oil	**24,457**	15,986	**-**	-
Insurances	**29,465**	27,512	**-**	-
Licenses and subscriptions	**9,375**	17,042	**23**	23
Listing and registration fees	**16,138**	15,498	**11,537**	11,661
Motor Vehicles	**37,717**	19,372	**-**	-
Movement in provision for impairment of receivables (note 14)	**(43,287)**	49,626	**-**	-
Movement in unrealised currency exchange	**-**	7,385	**-**	-
Printing Expenses	**9,522**	11,397	**6,480**	6,837
Provision for government grant receivables	**-**	95,410	**-**	-
Receivables written off	**683**	7,719	**-**	-
Rent	**33,883**	33,883	**-**	-
Staff Training	**18,298**	7,188	**-**	-
Telecommunications	**35,711**	36,056	**-**	-
Water and electricity	**21,323**	19,728	**-**	-
Profit on sale of property, plant and equipment	**(100)**	(5,572)	**-**	-
Other expenses	**45,532**	56,138	**-**	800
	233,004	446,848	**20,806**	22,094

Group

Government grants in relation to ERDF scheme were concluded in 2015 and the amount of EUR377,721 was received from a total of EUR473,131.

Professional and Consultancy fees included remuneration payable to the company's auditor for tax compliance services of EUR1,759 (2015: EUR1,867).

Company

Professional and Consultancy fees included remuneration payable to the company's auditor for tax compliance services of EUR295 (2015: EUR325).

6. INCOME TAX

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

	Group		Company	
	2016	2015	**2016**	2015
	EUR	EUR	**EUR**	EUR
Current tax charge				
- current year	**1,847**	-	**-**	-
- over provision in prior period	-	-	-	-
	1,847	-	**-**	-

NOTES TO THE FINANCIAL STATEMENTS – continued

6. INCOME TAX – continued

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

	Group		Company	
	2016	2015	**2016**	2015
	EUR	EUR	**EUR**	EUR
Profit/(loss) before tax	**268,549**	55,815	**923,733**	(71,087)
Theoretical taxation expense/(credit) at domestic income tax rate 35%	**93,992**	19,535	**323,307**	(24,880)
Tax effect of:				
- Income not subject to tax	**-**	-	**(347,200)**	-
- Non-deductible expenses	**16,183**	42,061	**23,893**	24,880
- Deferred tax not recognised	**(108,328)**	(61,596)	**-**	-
- Interest income taxed at 15%	**-**	-	**-**	-
Tax charge	**1,847**	-	**-**	-

7. EARNINGS PER SHARE

7.1 Basic earnings per share

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

	Group		Company	
	2016	2015	**2016**	2015
	EUR	EUR	**EUR**	EUR
Profit attributable to the ordinary equity holders/Company's profit/(loss)	**268,549**	55,815	**923,733**	(71,087)
Average number of equity shares outstanding during the year	**31,899,000**	31,899,000	**31,899,000**	31,899,000
Basic profit per share attributable to the ordinary equity holders/Company's basic profit/(loss) per share	**0c8**	0c2	**2c9**	(0c2)

7.2 Diluted earnings per share

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

NOTES TO THE FINANCIAL STATEMENTS – continued

8. PROPERTY, PLANT AND EQUIPMENT

	Equipment furniture & fittings EUR	Motor Vehicles EUR	Factory Improvements EUR	Total EUR
Cost				
At 1 July 2014	1,939,026	71,307	19,046	2,029,379
Additions	14,585	-	675	15,260
Disposal	-	(12,775)	-	(12,775)
At 30 June 2015	1,953,611	58,532	19,721	2,031,864
Additions	18,072	-	4,612	22,684
Disposals	-	(2,262)	-	(2,262)
At 30 June 2016	**1,971,683**	**56,270**	**24,333**	**2,052,286**
Depreciation and impairment				
At 1 July 2014	1,843,197	66,939	987	1,911,123
Depreciation charge	30,374	2,718	1,938	35,030
Release on disposal	-	(11,279)	-	(11,279)
At 30 June 2015	1,873,571	58,378	2,925	1,934,874
Depreciation charge	25,663	154	2,208	28,025
Release on disposal	-	(2,262)	-	(2,262)
At 30 June 2016	**1,899,234**	**56,270**	**5,133**	**1,960,637**
Net Book Value				
At 30 June 2016	**72,449**	**-**	**19,200**	**91,649**
At 30 June 2015	80,040	154	16,796	96,990
At 30 June 2014	95,829	4,368	18,059	118,256

The carrying value of assets held under finance lease at 30 June 2016 stood at EUR693 (2015: EUR2,343).

As at 30 June 2016, assets amounting to EUR1,162,715 (2015: EUR1,114,216) were fully depreciated.

NOTES TO THE FINANCIAL STATEMENTS – continued

9. INTANGIBLE ASSETS

	Goodwill EUR	Software Development EUR	Acquired Software EUR	Total EUR
Cost				
At 1 July 2014	5,973,592	5,097,363	519,680	11,590,635
Additions (note 4)	-	296,165	-	296,165
Acquisition of subsidiary	-	-	-	-
At 30 June 2015	5,973,592	5,393,528	519,680	11,886,800
Additions (note 4)	-	295,032	-	295,032
At 30 June 2016	**5,973,592**	**5,688,560**	**519,680**	**12,181,832**
Amortisation and Impairment				
At 1 July 2014	1,545,670	4,380,125	498,477	6,424,272
Amortisation charge	-	224,909	16,821	241,730
Impairment	-	-	-	-
At 30 June 2015	1,545,670	4,605,034	515,298	6,666,002
Amortisation charge	-	247,595	4,382	251,977
At 30 June 2016	**1,545,670**	**4,852,629**	**519,680**	**6,917,979**
Net Book Value				
At 30 June 2016	**4,427,922**	**835,931**	**-**	**5,263,853**
At 30 June 2015	4,427,922	788,494	4,382	5,220,798
At 30 June 2014	4,427,922	717,238	21,203	5,166,363

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

As at year end, EUR197,737 (2015: EUR197,737), relating to the development of one of the subsidiary's software products, was not in the condition necessary for it to be capable of operating in the manner intended by management.

As at 30 June 2016, assets amounting to EUR3,246,441 (2015: EUR3,023,265) were fully amortised.

NOTES TO THE FINANCIAL STATEMENTS – continued

9. INTANGIBLE ASSETS – continued

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

The Group performed its annual impairment test as at 30 June 2016. Since management only monitors revenue and directly attributable costs of its business units separately and the decision making process was managed on a group basis, the Group was considered to be a single cash generating unit.

The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a three year period. The cash flows beyond the budget period are extrapolated using a 6% (2015: 6%) growth rate for years four to eleven and 3% (2015: 3%) thereafter into perpetuity.

The key assumptions used in the value in use calculation are most sensitive to the following assumptions:
- Revenue growth rate (7% average) during the budgeted period;
- Growth rates (6% and 3%) beyond the budget period; and
- Pre-tax discount rate (10%).

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

10. INVESTMENT IN SUBSIDIARIES

Company

	Capital subscribed EUR	Shareholders' contribution EUR	Total EUR
At 30 June 2016	**2,431,087**	**7,225,948**	**9,657,035**
At 30 June 2015	2,431,087	7,225,948	9,657,035

NOTES TO THE FINANCIAL STATEMENTS – continued

10. INVESTMENT IN SUBSIDIARIES – continued

Ownership Interest

Significant Subsidiaries	**Registered Office**	**2016 %**	**2015 %**	**Nature of Business**
Loqus Services Limited (note iii)	SUB008A Industrial Estate San Gwann SGN 3000 Malta	99.9	99.9	Back-office Processing
Loqus Solutions Limited (note iii)	SUB008A Industrial Estate San Gwann SGN 3000 Malta	94.04	94.04	Software solutions
Loqus Consulting Limited	SUB008A Industrial Estate San Gwann SGN 3000 Malta	75.0	75.0	Consulting services
Loqus UK Limited (note i)	The Meridian 4, Copthall House Station Square, Coventry CV1 2FL, United Kingdom	100	100	Fleet management in the UK
Datatrak IT Services Limited (note ii)	SUB008A Industrial Estate San Gwann SGN 3000 Malta	50.2	50.2	Software development and related services
Loqus Italia S.r.l. in liquidation (note iii)	Viale Vittorio Veneto, 221 41058, Vignola (MO) Italia	100	100	Fleet management in Italy
Premiere Post Limited (note iii)	SUB008A Industrial Estate San Gwann SGN 3000 Malta	99.9	99.9	Postal service
Loqus Public Sector Limited (note iv)	SUB008A Industrial Estate San Gwann SGN 3000 Malta	99.9	99.9	Public Sector activities
Loqus Fleet Limited (note v)	SUB008A Industrial Estate San Gwann SGN 3000 Malta	99.9	99.9	Fleet management worldwide

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

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

iii. The Company indirectly controls Loqus Italia S.r.l. through Loqus Solutions Limited.

Furthermore, the Company indirectly controls Premiere Post Limited through Loqus Services Limited.

NOTES TO THE FINANCIAL STATEMENTS – continued

10. INVESTMENT IN SUBSIDIARIES – continued

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

v. Loqus Fleet Limited is a new subsidiary set up to consolidate the Group's Fleet Management IPR and business.

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

11. INVESTMENT IN ASSOCIATE

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

Significant subsidiary	Registered office	Ownership interest 2016 %	Ownership interest 2015 %	Nature of business
Datatrak Nigeria Limited	Nigeria	30	30	Data network provider

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

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

12. DEFERRED TAX

Group

As of 30 June 2016, the Group had deferred tax assets amounting to EUR6,253,163 (2015: EUR6,364,756). These deferred tax assets have not been recognised in these financial statements and will be recognised when utilised against future taxable profits.

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

Deferred tax assets relating to investment tax credits amount to EUR2,853,165 (2015: EUR2,853,450).

Company

As of 30 June 2016, the Company had a deferred tax asset of EUR46,988 (2015: EUR48,166). These deferred tax assets have not been recognised in these financial statements and will be recognised when utilised against future taxable profits.

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

NOTES TO THE FINANCIAL STATEMENTS – continued

13. INVENTORIES

	Group		Company	
	2016	2015	**2016**	2015
	EUR	EUR	**EUR**	EUR
Raw materials and consumables	**25,775**	**27,269**	**-**	-

Raw materials and consumables of the Group are stated net of a provision for slow moving inventories amounting to EUR NIL (2015: EUR NIL).

14. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016	2015	**2016**	2015
	EUR	EUR	**EUR**	EUR
Trade receivables (note i)	**833,345**	1,174,102	**-**	-
Other receivables (note i)	**34,255**	17,925	**6,569**	6,569
Amounts owed by related parties (note ii)	**715,125**	737,519	**-**	-
Prepayments and accrued income	**321,344**	336,242	**1,532**	1,536
	1,904,069	2,265,788	**8,101**	8,105

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

	Individually impaired		
	Trade receivables	**Other receivables**	**Total**
	EUR	**EUR**	**EUR**
At 30 June 2015	**340,873**	**78,248**	**419,121**
Movement for the year	**(42,604)**	**-**	**(42,604)**
Utilised	**(683)**	**-**	**(683)**
At 30 June 2016	**297,586**	**78,248**	**375,834**
At 30 June 2014	291,247	78,248	369,495
Movement for the year	57,345	-	57,345
Utilised	(7,719)	-	(7,719)
At 30 June 2015	340,873	78,248	419,121

NOTES TO THE FINANCIAL STATEMENTS – continued

14. TRADE AND OTHER RECEIVABLES – continued

As at 30 June 2016, the ageing analysis of trade receivables was as follows:

	Total	Neither past due nor impaired	Past due but not impaired		
			<30 days	30-60 days	>60 days
	EUR	EUR	EUR	EUR	EUR
30 June 2016	**833,345**	**315,802**	**238,050**	**49,667**	**229,826**
30 June 2015	1,174,102	444,744	143,567	99,160	486,631

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

ii. Amounts due by related parties are interest free and repayable on demand. Amount due from associate of EUR227,728 (2015: EUR227,728) has been fully impaired.

15. CAPITAL AND RESERVES

15.1 Issued capital

	2016	2015
	EUR	EUR
Authorised		
50,000,000 ordinary shares of EUR0.232937 each	**11,646,850**	11,646,850
Issued and fully paid		
31,899,000 ordinary shares of EUR0.232937 each fully paid up	**7,430,457**	7,430,457

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

15.2 Share premium

	2016	2015
	EUR	EUR
At 30 June	**847,101**	847,101

NOTES TO THE FINANCIAL STATEMENTS – continued

15. CAPITAL AND RESERVES – continued

15.3 Capital redemption reserve

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

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

16. INTEREST BEARING LOANS AND BORROWINGS

Bank borrowings comprise bank loans analysed as follows:

Group

	2016	2015
	EUR	EUR
Non-current liabilities		
Bank loans	**-**	-
Amounts owed to related parties (note iii)	**674,092**	465,305
	674,092	465,305
Current liabilities		
Bank loans (note i)	**-**	21,260
Bank overdrafts (note 18)	**184,507**	159,323
Amounts owed to related parties (note ii)	**242,253**	466,396
	426,760	646,979
	1,100,852	1,112,284

Company

	2016	2015
	EUR	EUR
Non-current liabilities		
Amounts owed to related parties (note ii)	**674,092**	465,305
Current liabilities		
Amounts owed to related parties (notes ii)	**242,253**	466,396
	916,345	931,701

NOTES TO THE FINANCIAL STATEMENTS – continued

16. INTEREST BEARING LOANS AND BORROWINGS – continued

i. The Group has a total banking facility of EUR129,860 which relates to guarantee facilities. The banking facilities are secured by general hypothec over the assets of subsidiaries, guarantees provided by Group companies, pledging of cash balances and by general hypothec over the assets, pledging of insurance policies and guarantees of the major shareholder.

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

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

	Group		Company	
	2016	2015	**2016**	2015
	EUR	EUR	**EUR**	EUR
Between 1 and 2 years	**-**	-		-
Between 2 and 5 years	**674,092**	465,305	**674,092**	465,305
	674,092	465,305	**674,092**	465,305

17. TRADE AND OTHER PAYABLES

Current	Group		Company	
	2016	2015	**2016**	2015
	EUR	EUR	**EUR**	EUR
Trade payables (note i)	**710,373**	914,524	**8,425**	13,511
Trade payables to related parties (note ii)	**147,520**	45,520	**-**	-
Other payables	**277,887**	350,854	**-**	-
Amounts payable to subsidiaries (note ii)	**-**	-	**51,346**	954,596
Other taxes and social security contributions	**2,672,395**	2,831,389	**-**	-
Accruals and deferred income	**1,309,024**	1,534,416	**7,181**	7,167
	5,117,199	5,676,703	**66,952**	975,274

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

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

NOTES TO THE FINANCIAL STATEMENTS – continued

18. CASH AND CASH EQUIVALENTS

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

	Group		**Company**	
	2016	2015	**2016**	2015
	EUR	EUR	**EUR**	EUR
Bank balances (note i)	**290,864**	267,752	**170**	111
Bank overdraft (note 16)	**(184,507)**	(159,323)	**-**	-
Cash and cash equivalents	**106,357**	108,429	**170**	111

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

19. COMMITMENTS AND CONTINGENCIES

19.1 Operating lease commitments – Group as lessee

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

During the year ended 30 June 2016, operating leases amounted to EUR33,883 were recognised as an expense in the statement of comprehensive income (2015: EUR33,883).

19.2 Operating lease commitments – Group as lessor

A subsidiary company leased equipment to customers under operating leases equipment amounting to EUR130,208 (2015: EUR130,208). Accumulated depreciation on these assets at year end amounted to EUR130,208 (2015: EUR130,208).

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

NOTES TO THE FINANCIAL STATEMENTS – continued

19. COMMITMENTS AND CONTINGENCIES – continued

19.3 Guarantees

The Company

The Company is a guarantor for EUR129,860 (2015: EUR347,074) in respect to banking facilities provided to two group companies as detailed in note 16.

20. RELATED PARTY DISCLOSURES

Group

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

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

Transactions with related parties

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

	2016	2015
	EUR	EUR
Revenue		
Sales	**31,642**	47,974
Expenses		
Purchases and other directly attributable costs	**77,336**	26,505
Telecommunication Expenses	**14,274**	11,926
Professional Fees	**51,213**	51,213
Finance Expenses	**87,442**	93,849

Balances with related parties

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

Key management personnel

Wages and salaries include an amount of EUR1,025,074 (2015: EUR916,630) paid as salaries to key management personnel. Total salaries paid to Executive Directors amounted to EUR668,896 (2015: EUR524,186). The Board of Directors are considered to be key management personnel and total Directors' emoluments are included in note 4 – Personnel Expenses.

NOTES TO THE FINANCIAL STATEMENTS – continued

20. RELATED PARTY DISCLOSURES – continued

Company

Transactions with related parties

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

	2016	2015
	EUR	EUR
Finance Expenses	**87,442**	93,849

Balances with related parties

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

Key management personnel

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

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS – continued

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Credit risk

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

Trade and other receivables

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

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

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

Exposure to credit risk

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

The Group's exposure to concentration of risk arises from activity exceeding 25% of its revenues. At year end the Group had EUR665,537 (2015: EUR790,648) owed by a major customer representing 80% (2015: 67%) of the Group's total trade receivables. This customer generated EUR2,958,506 (2015: EUR2,670,019) of the Group's total revenue, representing 76% (2015: 64%) of the Group's total revenue.

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

Liquidity risk

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

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

NOTES TO THE FINANCIAL STATEMENTS – continued

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Liquidity risk – continued

Contractual maturities

The following are the undiscounted contractual maturities of financial liabilities:

Group
Year ended 30 June 2016

	Carrying amount	Contractual Cash flows	Less than 6 months	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Bank loans	-	-	-	-	-	-	-
Other borrowings	-	-	-	-	-	-	-
Trade and other payables	**5,117,199**	**5,117,199**	**4,410,493**	**231,582**	**274,986**	**200,138**	-
Bank overdraft	**184,507**	**184,507**	**184,507**	-	-	-	-
Amounts owed to related parties	**916,345**	**1,232,716**	-	**242,253**	-	**990,463**	
	5,401,892	**6,834,748**	**4,895,326**	**473,832**	**274,986**	**1,190,604**	-

Year ended 30 June 2015

	Carrying amount	Contractual Cash flows	Less than 6 months	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Bank loans	21,260	22,096	11,581	10,515	-	-	-
Other borrowings	-	-	-	-	-	-	-
Trade and other payables	5,676,703	5,676,703	5,138,363	146,820	391,520	-	-
Bank overdraft	159,323	159,323	159,323	-	-	-	-
Amounts owed to related parties	931,701	1,150,082	-	466,396	-	683,686	-
	6,788,987	7,008,204	5,309,267	623,731	391,520	683,686	-

Market risk

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

NOTES TO THE FINANCIAL STATEMENTS – continued

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Currency risk

Exposure to currency risk

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

	2016			2015		
	GBP	**USD**	**ZAR**	GBP	USD	ZAR
Trade receivables	**39,668**	**-**	**-**	36,068	-	674
Trade payables	**(46,443)**	**(58,577)**	**-**	(50,039)	(61,869)	-
	(6,775)	**(58,577)**	**-**	(13,971)	(61,869)	674

The following significant exchange rates applied during the year:

	Average rate		**Reporting date spot rate**	
	2016	2015	**2016**	2015
GBP1	**0.7488**	0.7625	**0.8265**	0.7114
USD1	**1.1096**	1.2037	**1.1102**	1.1189
ZAR1	**16.0821**	13.7316	**16.4461**	13.6416

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

Interest rate risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS – continued

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Interest rate risk – continued

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

	Increase/ decrease in basis points	**Effect on profit/(loss) before tax EUR000**
2016	**+100/-100**	**(2)/2**
2015	+100/-100	(2)/2

Fair values

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

Capital management

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

SUMMARISED RESULTS FOR THE PAST FIVE YEARS

As at 30 June	2016 EUR	2015 EUR	2014 EUR	2013 EUR	2012 EUR
FINANCIAL					
Revenue	3,893,957	4,181,363	3,527,989	3,399,666	3,780,741
Operating profit	1,188,301	1,038,377	936,143	782,020	610,894
EBITDA	690,323	334,232	369,496	215,011	(13,727)
Profit/(loss) for the year	266,702	55,815	(247,225)	(577,308)	(840,748)
LIQUIDITY					
Cash generated from operations	416,826	693,714	566,480	449,047	280,387
Net cash	106,357	108,429	(60,901)	(74,607)	(270,045)
NUMBER OF EMPLOYEES	79	80	77	76	90

OTHER DISCLOSURES IN TERMS OF THE LISTING RULES

Share Capital Structure

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

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

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

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

Pre-emption rights: None.

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

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

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

Holdings in excess of 5% of the share capital

On the basis of the information available to the Company, the direct and indirect shareholders as at the 30 June 2016 and 17 October 2016 in excess of 5% of the share capital of the Company are the following:

	30 June 2016		17 October 2016	
	Number of Shares	Holding %	Number of Shares	Holding %
JFC Holdings Limited	15,949,500	50.00	15,949,500	50.00
Go plc	4,784,850	15.00	4,784,850	15.00

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

The Directors of the Company must be individuals.

1. The Directors shall be appointed as follows:

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

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

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

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

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

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

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

2. The Directors shall be replaced as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

Amendment of the Memorandum and Articles of Association

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

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

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

Amendment of the Memorandum and Articles of Association – continued

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

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

Board Member Powers

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

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

Other

There are no special control rights.

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

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

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

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

Signed on behalf of the Board of Directors by:

WALTER BONNICI
Chairman

JOSEPH FENECH CONTI
Director

21 October 2016

SHAREHOLDER REGISTER INFORMATION

Directors' interests in the Company as at 30 June 2016 and as at 17 October 2016.

Shareholder Range	Ordinary shares held as at 30.06.15	Ordinary shares held as at 17.10.16	Movement in shares held by Directors
Mr Anthony Demajo	**1,350,750**	**1,350,750**	**-**

Mr Joseph Fenech Conti has a beneficial interest of 15,949,500 shares currently registered in the name of JFC Holdings Limited. Mr Walter Bonnici has a beneficial interest of 1,434,030 shares currently registered in the name of GDL Trading and Services Limited. There have been no changes after year end up to 17 October 2016**.**

Holders holding 5% or more of the Share Capital at 30 June 2016 and at 17 October 2016.

	Ordinary Shares of EUR0.2329374 each at:			
	30.06.16		17.10.16	
	Number of shares	Holding (%)	Number of shares	Holding (%)
JFC Holdings Limited	**15,949,500**	**50.00**	**15,949,500**	**50.00**
GO P.L.C.	**4,784,850**	**15.00**	**4,784,850**	**15.00**

Number of holders

The total number of shareholders at year end was 1,522. As at 17 October 2016, 1,522 shareholders held the Company's issued share capital consisting of 31,899,000 shares. All shares are of equal class and carry equal voting rights.

Shareholder Range	Number of holders at 30.06.16	Number of holders at 17.10.16	Movement in holders increase /(decrease)
1 - 500 shares	**386**	**385**	**(1)**
501 - 1,000 shares	**420**	**423**	**3**
1,001 - 5,000 shares	**594**	**592**	**(2)**
5,001 and over	**122**	**122**	**-**
	1,522	**1,522**	**(0)**

Company Secretary and Registered Address

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